

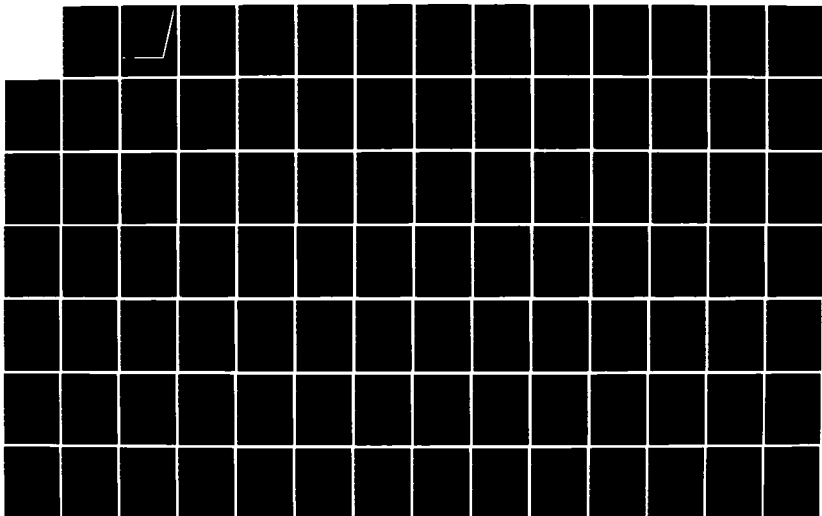
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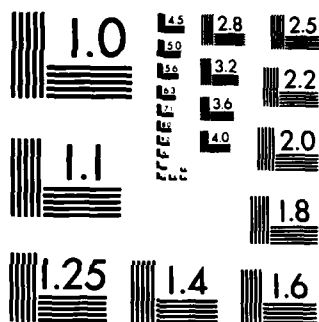
DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL  
SEMIANNUAL REPORT TO THE CONGRESS 1 APRIL - 30  
SEPTEMBER 1984(U) DEPARTMENT OF DEFENSE WASHINGTON DC  
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*DEPARTMENT OF DEFENSE*

*Office of  
Inspector General*

*Semiannual Report  
to the Congress*

*April 1, 1984  
to  
September 30, 1984*



*November 29, 1984*

## STATEMENT OF THE INSPECTOR GENERAL

This is my fourth semiannual report to Congress since I became Inspector General. During the 6-month period ending September 30, 1984, we have continued to audit, investigate and inspect those areas of greatest vulnerability and recommend ways for their improvement (chapters 1 through 4). And we continue to find means to improve the ways by which we detect and prevent fraud, waste and mismanagement (chapters 5 and 6).

### Overview

The mission given by Congress to promote economy and efficiency in the Department of Defense and to detect and prevent fraud, waste and abuse is a big job and one which my immediate office--1,058 auditors, criminal investigators, inspectors and support personnel--could not do alone. Fortunately, we are not on our own.

Besides my own people, I set policy for and oversee the operations of about 18,300 auditors, inspectors and investigators who work in the Military Departments and several defense agencies. In addition to these people, the General Accounting Office has over 1,000 auditors working on DoD programs at all times, and we have set in place a number of initiatives to insure their recommendations and findings are fully considered.

While this may seem like a lot of people, we must remember that in 1983 DoD spent about \$600 million every day--Saturdays, Sundays and holidays-- involving the activities of about 6.3 million people--civilian, military and others in defense industries. By 1988 we expect the Department to spend about \$1.2 billion a day.

The effectiveness of this unique audit and investigative community depends on our ability to fully utilize the capabilities of the more than 19,000 personnel engaged in improving Defense management.

A few of the results of this coordinated effort are:

- Documented savings and cost avoidances have nearly doubled in each of the last 3 years. All audit findings and recommendations made by the Military Departments, the GAO, or our own auditors are now entered into a computerized tracking system and are not cleared until they are completed.
- Over the past 3 years, we have completed 156,410 corrective actions on 50,939 DoD internal audit reports, giving the Department \$3.5 billion worth of monetary benefits. During the same period, we took 2,358 corrective actions on 1,077 GAO reports with monetary benefits of \$4.6 billion. We are now tracking an additional 3,782 DoD and GAO reports with potential savings of \$3.2 billion.
- The Department has been diligent in suspending or debarring individuals or corporations who abuse the procurement process and has made use of this powerful administrative tool over 1,041 times since 1980--402 times in FY 1984 alone--an increase of 66 percent over the previous year.
- Since May 1982, the DoD Hotline has documented \$3.5 million worth of savings. From June 1981 to September 1984, the DoD Hotline got over 19,000 contacts through calls and letters. More than 9,400 of these contacts were complaints which merited further examination.
- Last summer Secretary Weinberger announced a 10-point program to reform spare parts procurement. In addition to changing a number of spare parts buying practices, the Secretary asked us to audit every major buying agency in DoD to learn whether his reforms would solve the systemic problems inherited in spare parts procurement. We made a random DoD-wide check of prices for spare parts and found that out of a sample of 2,300 items, 823--or 36 percent--were overpriced, with a total overpricing of about \$17.5 million. We are now monitoring the Services and Defense Logistics Agency to get refunds for these parts, and are making follow-on audits of about 100 contractors who provided the parts. These new audits should result in substantial spare part price reductions.

- The following examples show that we are determined to make those who cheat the Department pay a price. We are insisting that DoD contractors meet proper performance standards--anything less can and will result in the loss of lives. And we are making the 'IG habit' an indispensable part of the procurement process.
- Two employees of a metal fabricating company were each sentenced to 10-year prison terms plus 5 years' probation for supplying inferior quality sheet metal to the Navy. The metal was used as armor plating for the battleship *U.S.S. New Jersey*.
- A corporation was convicted of defrauding the government for supplying faulty bolts used to fasten the wings of B-52 bombers to the fuselages. Although the faulty bolts were discovered before they were used, they could have caused the loss of lives and of B-52s. The president and vice president of the corporation were found guilty of defrauding the government and sentenced to 3 years and 2 years in prison, respectively. We also suspended the present contract and debarred the corporation from future contracts.

#### IG Cash Awards Program

Before I continue on with my statement, I would like to take a moment and address the Inspector General Cash Awards Program. I am sorry to see the legislation for the program expire. We had already begun to put it to good use. I was enthusiastic about the program and wanted to see award-granting authority extended to investigative offices of the Army, Navy and Air Force. I also felt that military personnel should be eligible for the awards. Had the program been extended and expanded with the inclusion of military personnel there would have been good returns and substantial savings. For these reasons I urge the Congress to reinstate the legislation for the cash awards program.

#### **Focus**

The basic focus of the Office of Inspector General is on three operational elements--audit, investigation and inspection.

#### Audit Activities

We have restructured and increased the audit staff to handle acquisitions and contract actions better and more comprehensively. Now about 60 percent of our audit effort goes into the acquisition process, up nearly fivefold from 1981.

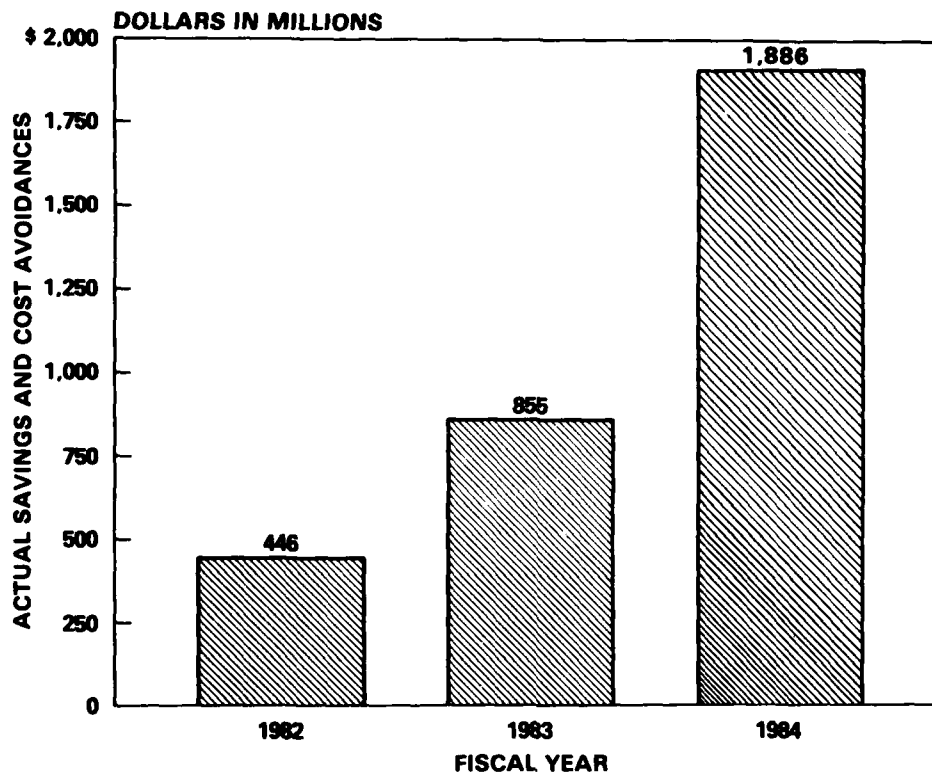
We increased our capability for quick-reaction audits and now bring immediate management attention to those instances when lives are endangered, large sums of money can be wasted and illegal or other objectionable actions are ongoing.

We started and are successfully doing DoD-wide audits where OIG, DoD, the Military Services and a defense agency work together auditing major defense programs.

#### Audit Followup Activities

New discipline has been built into the followup system. Auditors and managers now reach an agreement on every audit recommendation--either by settling their differences among themselves or by agreeing to a decision handed down by a Service adjudicator. Once the disagreement has been ironed out, the 'follow-up train' moves down the track and exerts pressure to get the changes made. Benefits from this dynamic program have been impressive. Actual savings and cost avoidances have grown from \$446 million in FY 1982 to over \$1,886 million in FY 1984.

## INTERNAL AUDIT FOLLOWUP ACCOMPLISHMENTS



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The benefits of contract audit followup are harder to measure, but this program has made significant contributions to the overall DoD acquisition management improvement effort. This effort includes more emphasis on timeliness, proper resolution of disputes between auditors and contracting officers, review of significant disputes by an independent official, and better feedback to the auditors on how audit reports are used and how auditors can improve their support to contracting officers.

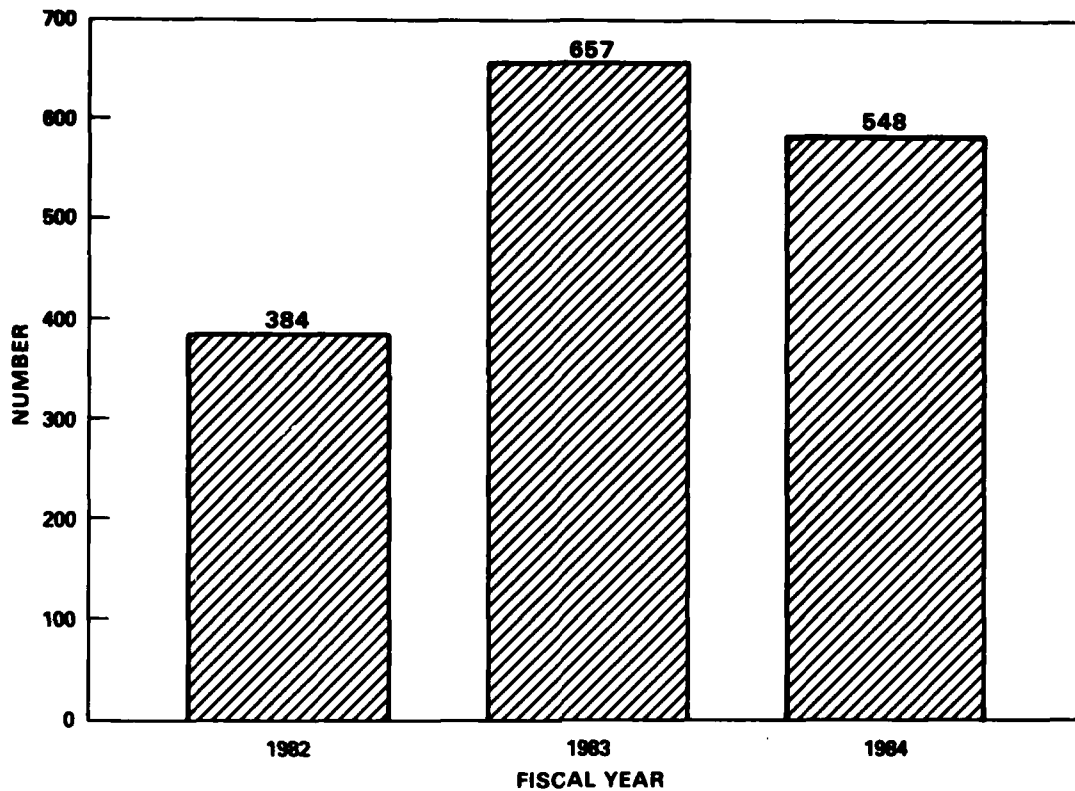
During the reporting period, we completed a survey on contract audit followup that showed that the new contract audit followup procedures cause little if any erosion of the contracting officer's authority, no strong feeling that excessive workload or paperwork had been created and agreement that the goal of resolution and disposition within 6 months is attainable for most categories of contract audit reports.

### Investigative Activities

In FY 1982 we had 384 convictions. In FY 1984 we had about 550. We intend to be relentless in pursuing crooked employees or contractors.

Besides prosecutions, we use suspensions and debarments to protect the government from contractors who have demonstrated a lack of the integrity needed to do business with us. This is an area that was seldom used before 1981, but has mushroomed lately. Telling contractors we no longer want to do business with them gets attention very quickly.

## INVESTIGATIVE ACTIVITIES — CONVICTIONS



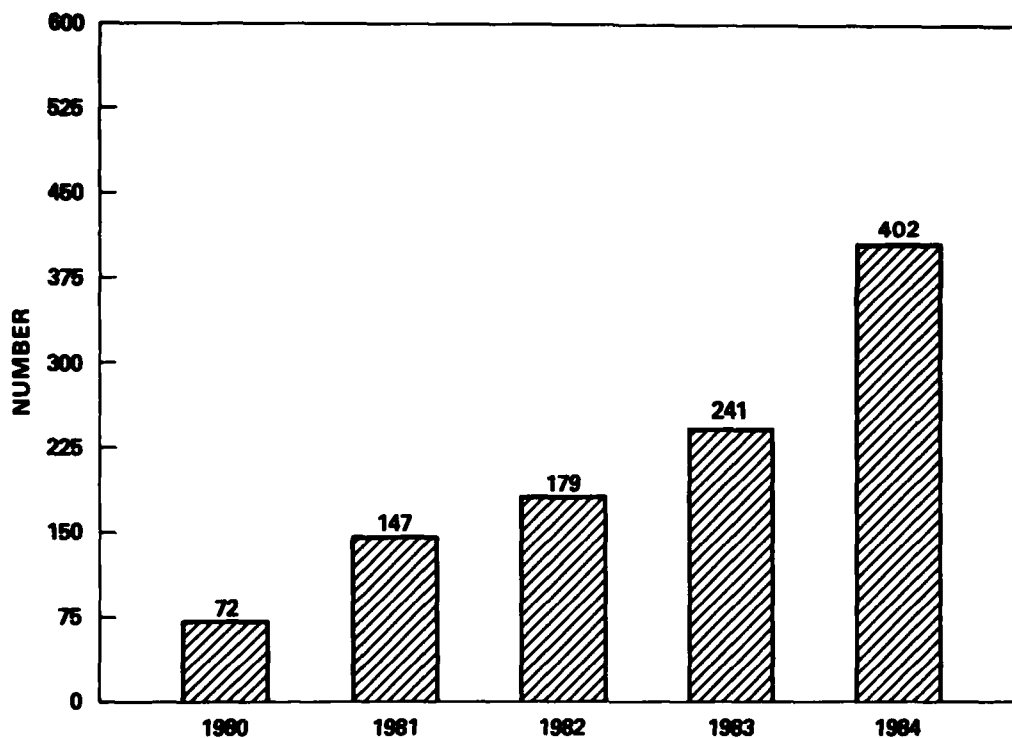
Secretary Weinberger places the detection and prevention of white collar crime and fraud against the Department among his highest priorities. Despite the small size of our criminal investigation service--4 percent of DoD investigative resources--our special white collar crime fighters have an impressive record since the IG was formed: 188 indictments, 149 convictions, and \$18 million in fines, recoveries and recoupments. Included in these figures are judgments against two major defense contractors.

### Inspection Activities

When Congress created a statutory IG, DoD, it transferred the IG, Defense Logistics Agency into the new organization. We have expanded the inspectors' work to cover all DoD agencies not inspected by the Military Departments, revised inspection methods to improve efficiency and given new responsibilities to them.

We set up an office for Special Inquiries to respond rapidly to requests for inquiries by the Hotline, high-ranking officials or members of Congress. During the past year, we opened 197 cases. About 15 percent of the cases originated as a result of congressional requests, 34 percent from the Hotline and the balance from the public or by special request from Department officials.

## SUSPENSIONS AND DEBARMENTS



### Future Directions

The DoD continues to upgrade, improve and refine ways to save tax dollars by detecting and preventing mismanagement in defense programs. Congressional interest continues to have a beneficial impact on our improvement efforts. And the OIG continues to review DoD programs and recommend ways in which they can operate with greater economy and efficiency. These program reviews target on areas of special vulnerability to waste.

Future OIG directions, planned or underway, are:

- More audits with a priority on procurement, to include:
  - Further looks at DoD's in-house weapons acquisition procedures.
  - "Should cost" studies or estimating what a weapon should cost to produce.
  - Defective pricing.
  - Subcontract pricing:
- Intensified criminal investigations, with priority on product substitution, cost mischarging and bribery.
- A continued emphasis on audit followup, with an increased emphasis on contract audit resolution and followup.



- Comprehensive evaluations of the quality and effectiveness of work performed by audit and investigative agencies, with increased emphasis on contract matters.
- Improved coordination of audits, inspections and investigations.
- Continued efforts to prevent fraud, waste and abuse through:
  - Hotline activities.
  - Work with management and DoD contractors.
  - Fraud awareness training of the contracting and procurement community.
  - Specialized training of our auditors, inspectors and investigators.

Joseph H. Sherick  
Inspector General

## STATISTICAL HIGHLIGHTS

	Amount	
	Current Period	Prior Period
<b>AUDIT ACTIVITIES</b>		
<b>Potential Monetary Benefits:</b>		
Internal Audit/Internal Review/Military Exchange Audit	\$1,840.2m	\$ 873.8m
<b>Contract Audit Net Savings:</b>		
Defense Contract Audit Agency	\$4,620.0m	\$2,802.0m
U.S. Army Corps of Engineers	\$ 20.1m	\$ *
<b>Reports Issued:</b>		
Internal Audit/Internal Review/Military Exchange	9,277	9,255
Defense Contract Audit Agency	33,000	28,081
U.S. Army Corps of Engineers	229	187
<b>Audit Followup:</b>		
Corrective Actions Completed	33,819	29,532
Corrective Actions Still in Progress	18,905	19,359
Savings from Completed Actions	\$1,183.0m	\$ 708.0m
Potential Savings from Open Actions	\$3,165.0m	\$2,138.9m
<b>INVESTIGATIVE ACTIVITIES</b>		
Recoveries	\$ 16.5m	\$ 1.9m
Fines and Penalties Levied	\$ 1.6m	\$ 1.3m
Restitutions	\$ .2m	\$ 4.9m
Other	—	\$ 2.8m
Cases Opened	9,475	7,346
Cases Closed	9,009	6,828
Cases Referred for Prosecution or Administrative Action	2,924	2,622
Indictments	119	55
Convictions	269	233
Debarments - Contractors	149	119
Suspensions - Contractors	75	59
Reprimands	187	150
Demotions	317	315
Terminations	211	157
* Data not captured.		

# **STATISTICAL HIGHLIGHTS (Continued)**

	Amount	
	Current Period	Prior Period
<b>INSPECTION ACTIVITIES</b>		
Inspection Reports Issued	4,827	5,275
<b>HOTLINE</b>		
Substantive Complaints	1,506	1,403
Cases Closed	1,096	788
Cases Pending	804	1,069
<b>OTHER ACTIVITIES</b>		
Proposed Legislative Bills and Regulations Reviewed	40	70
Proposed Directives Reviewed	49	39
<b>PERSONNEL AND OPERATING COSTS</b>		
<u>Personnel Strength on Board</u>		
Internal Audit	3,062	3,036
Internal Review	2,201	2,132
Military Exchange Audit	117	117
Contract Audit	4,231	3,865
Total Audit	<u>9,611</u>	<u>9,150</u>
Inspection	3,721	3,682
Investigation	5,968	5,855
Total Personnel Strength	<u>19,300</u>	<u>18,687</u>
<u>Operating Costs</u>		
Internal Audit	\$ 66.7m	\$ 59.6m
Internal Review	\$ 30.2m	\$ 30.1m
Military Exchange Audit	\$ 2.5m	\$ 2.5m
Contract Audit	\$ 82.9m	\$ 77.3m
Total Audit	<u>\$ 182.3m</u>	<u>\$ 169.5m</u>
Inspection	\$ 81.9m	\$ 77.7m
Investigation	\$ 90.8m	\$ 79.7m
Total Operating Costs	<u>\$ 355.0m</u>	<u>\$ 326.9m</u>

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## CHAPTER 1 AUDIT

Audits are independent reviews of programs and operations. The DoD, IG is responsible for providing policy direction and for conducting, supervising, coordinating, monitoring and evaluating audits within the entire Department.

### Audit Structure

• **Internal Audit.** Audits of the Military Services are made by the Army Audit Agency (AAA), the Naval Audit Service (NAVAUDSVC) and the Air Force Audit Agency (AFAA). Each of these audit activities is headed by a civilian auditor general.

Audits of activities within the Office of the Secretary of Defense (OSD) are performed by the Office of the Assistant Inspector General for Auditing (OAIG-AUD), which reports to the IG, DoD. The office performs internal audits of OSD, the Organization of the Joint Chiefs of Staff (OJCS), the Unified and Specified Commands and the Defense Agencies. The OAIG-AUD also makes internal audits of more than one DoD component, DoD-wide audits and audits requested by the Secretary of Defense or other key DoD officials.

The purpose of an internal audit is to help management officials meet their goals by furnishing them information, analyses and recommendations on their duties and objectives.

Internal audit evaluates the economy, efficiency and effectiveness with which managerial responsibilities are carried out and recommends improvements. Auditors identify dollar savings whenever possible. Internal auditors emphasize areas susceptible to fraud, waste and mismanagement and, when fraud is suspected, work jointly with investigators.

Auditors make quick-reaction reports when situations require immediate action to prevent, correct or minimize the effects of a serious situation which cannot be handled by normal reporting methods. Final audit reports summarize the audit results, identify the problems and recommend actions to improve current operations and prevent problems from recurring.

• **Contract Audit.** The Defense Contract Audit Agency (DCAA) performs audits of proposed or in-

curring contractor costs and operational audits to improve contractor operations. The U.S. Army Corps of Engineers (CoE) makes internal reviews and audits contracts for civil works projects.

• **Internal Review.** Local internal review groups in the Army, Navy, Marine Corps and DIA supplement the work of the centralized audit organizations. These groups give subordinate level management a way to identify operational deficiencies and provide audit liaison and followup. Internal review audit work is relied upon by the central audit organizations if it meets the Comptroller General's Audit Standards, as supplemented by the Office of Management and Budget (OMB) and DoD. In the last 3 years, the Army has made certain that the audit work of its internal review personnel meets these standards. New DoD audit policy will require similar actions within the other internal review activities.

Each internal audit and internal review organization is organized, staffed and operated to meet its own unique audit or internal review requirements. Planning and coordinating of major DoD-wide audit efforts are helped by quarterly meetings of the heads of the AAA, NAVAUDSVC, AFAA and OAIG-AUD.

• **Military Exchange Systems Audit.** The Army and Air Force Exchange Service (AAFES) Audit Division develops and implements audit policies and supervises and coordinates audits to detect and prevent fraud and abuse. Military exchange systems audits for the Navy and Marine Corps are made by auditors of the Naval Resale and Services Support Office (NAVRES-SO) and the Marine Corps Exchange System.

• **Audit Resolutions and Followup.** In accordance with OMB Circular A-50, the OIG, DoD and the Military Departments track their internal, contract and GAO audits to resolve disputed audit findings and recommendations and ensure that agreed-upon corrective actions are taken. In the OIG, DoD, the Office of the Assistant Inspector General for Audit Followup (OAIG-AFU) maintains this tracking system.

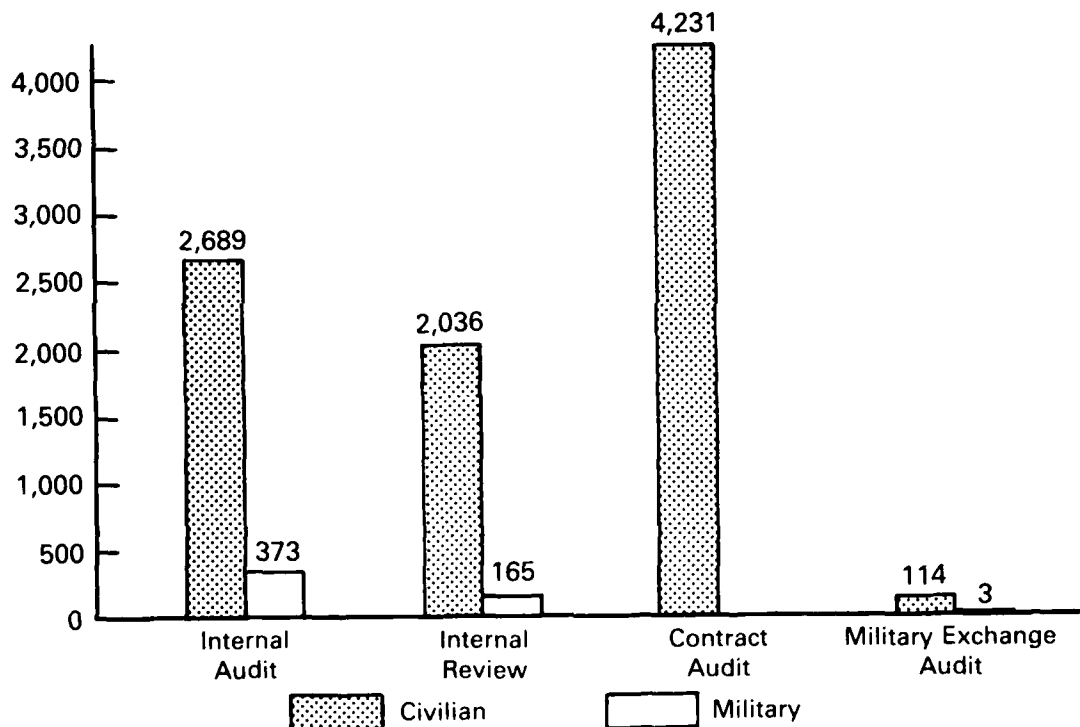
• **Audit Policy and Oversight.** DoD's OAIG for Audit Policy and Oversight (APO) makes audit policy for DoD internal audit, internal review and contract audit organizations. The office evaluates the organizations' implementation of and adherence to such policy to assure DoD officials and the public that a high level of audit competence is maintained.

## Personnel Resources and Operating Costs

As of September 30, 1984, there were 9,611 military and civilian personnel in DoD audit organizations. Chart 1 shows the number of audit personnel assigned by functional area.

The cost of operating DoD audit organizations for the 6-month period totalled \$182.3 million. Table 1 gives the operating costs for each organization.

**CHART 1.**  
**PERSONNEL STRENGTH — AUDIT ORGANIZATIONS**  
**As of September 30, 1984**



## Potential Monetary Savings in Reports Issued

DoD internal audit, internal review and military exchange audit organizations issued 9,277 reports during the last 6 months.

Audit and internal review reports may contain findings and recommendations which will result in future monetary benefits. When the reports are issued, these benefits represent the best dollar estimates of monetary savings and cost avoidances that can be achieved if the audit recommendations are implemented.



**TABLE 1. OPERATING COSTS - DoD AUDIT ORGANIZATIONS****(April 1, 1984 - September 30, 1984)**

	(\$ in Millions)				
Function	Civilian Personnel	Military Personnel	Travel	Other	Total
Audit:					
Internal Audit	\$ 49.1	\$6.5	\$ 7.3	\$ 3.8	\$ 66.7
Internal Review	26.8	2.1	.9	.4	30.2
Military Exchange Audit	2.0	.1	.4	0	2.5
Contract Audit	70.2	0	4.4	8.3	82.9
TOTAL	<u>\$148.1</u>	<u>\$8.7</u>	<u>\$13.0</u>	<u>\$12.5</u>	<u>\$182.3</u>

Management may fully concur, partially concur or non-concur with the auditors' findings and recommendations. When management officials do not fully concur, and cannot offer new information to cause the auditors to change their recommendations, the issues are referred to higher authority for resolution.

Resolution officials may modify the original audit recommendations or estimated monetary benefits. Also, the original monetary value in audit recommendations may vary when actions are taken at a later date. Thus, under DoD Directive 7650.3, resolution officials use followup procedures to track actions on audit recommendations and to measure accomplishments.

Table 2 analyzes, by program or function the \$1,840.2 million, in potential monetary benefits, which were identified in this reporting period's audit reports. Of this amount, managers have agreed to implement recommendations that should save about \$792.6 million when corrective actions are taken. The recommendations still being considered may result in another \$1,047.6 million in potential savings.

The total potential monetary benefits reported this period in internal audit, internal review and military exchange audit reports are shown in chart 2.

**TABLE 2. ANALYSIS OF INTERNAL AUDIT AND INTERNAL REVIEW REPORTS**

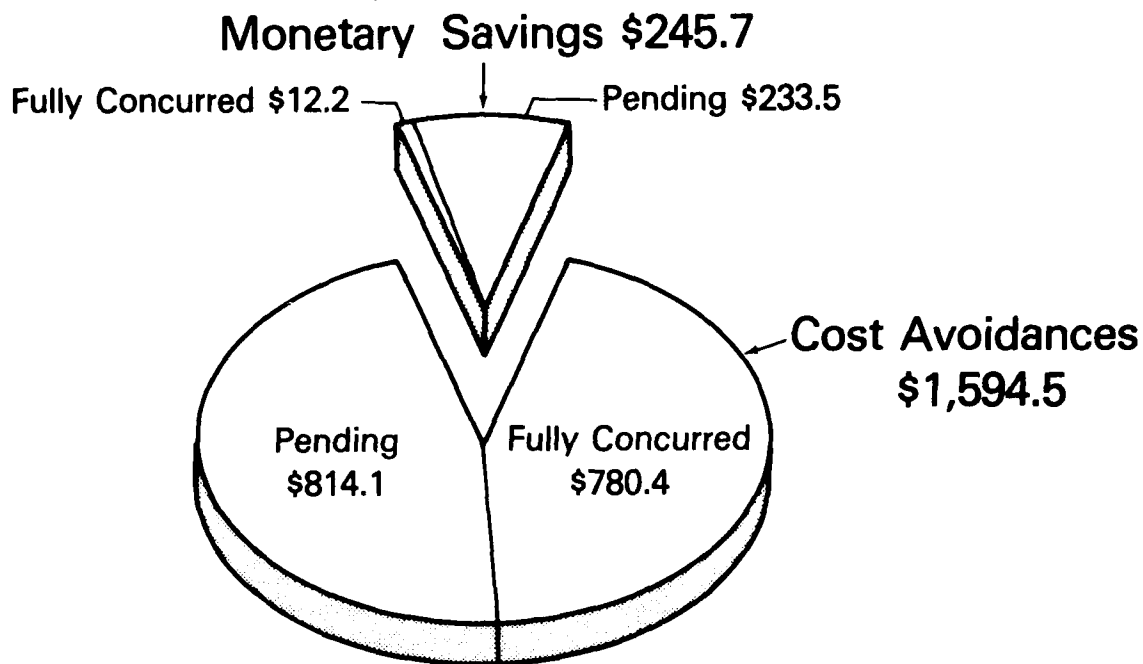
Program or Function	NUMBER OF REPORTS ISSUED			Total	Potential Monetary Benefits (\$ Millions)
	Internal Audit	Internal <sup>1/</sup> Review	Military Exchange Audit		
Automatic Data Processing Systems	57	167		224	\$ 9.7
Communications and Intelligence	57	117		174	47.5
Comptroller	373	2,099		2,472	27.5
Energy Conservation	2	61		63	.8
Forces Readiness	15	57		72	.5
Manufacturing, Maintenance and Repair	106	164		270	6.8
Nonappropriated Fund Instrumentalities	130	1,616	50	1,796	5.1
Personnel Management	64	331		395	12.7
Procurement	159	412		571	1,403.2
Real Property	81	110		191	8.5
Research and Development	33	18		51	53.8
Security Assistance	23	81		104	120.0
Supply	206	1,122		1,328	130.6
Support	146	773		919	6.1
Transportation	45	214		259	1.8
Other	68	320		388	5.6
Total	<u>1,565</u>	<u>7,662</u>	<u>50</u>	<u>9,277</u>	<u>\$1,840.2</u>

<sup>1</sup> A significant portion of internal review activity is devoted to supporting the audit efforts of the central internal audit activities and GAO by providing liaison during audits and performing followups on audit recommendations.

## CHART 2

### POTENTIAL MONETARY BENEFITS

(\$ in Millions)



**Total Potential Monetary Benefits — \$1,840.2**

#### Internal Audit

A total of 1,565 internal audit reports was issued during the period containing recommendations which, if agreed to and implemented, could result in monetary benefits of \$1,804.7 million, either by avoiding or reducing specific operating costs in the future. Almost 85 percent of the monetary benefits are in the areas of procurement and supply.

The audit findings and monetary benefits described in the following sections are from final audit reports. The findings and benefits have not, in every case, been reviewed and concurred in by higher levels of management. The amounts identified in cases where final concurrence has been reached represent only potential benefits since the audit followup action is incomplete.

## DoD OAIG-AUD

• **Statistical Summary Information.** The OAIG-AUD issued 80 final audit reports during the 6-month period. The reports identified \$794.8 million in potential monetary benefits. Management concurred in recommendations that could result in \$626.2 million worth of monetary benefits and is still considering reports with potential monetary benefits of \$10.5 million. During this period, 3 final audit reports with potential cost avoidances of \$117.2 million were forwarded for formal resolution.

• **Audit Concepts.** The OAIG-AUD and the Service audit agencies developed an audit plan that covers Department activities on a cyclical basis, addresses important issues in DoD and minimizes any overlap with the GAO. The OAIG-AUD works closely with the OSD and Defense Agency staffs to ensure that areas of concern to DoD management are considered in the audit planning process.

The OAIG-AUD continued to increase its efforts in the area of acquisition. The increased emphasis has seen the percentage of audit resources devoted to that area rise to about 60 percent.

During the current period, there was heavy emphasis on initiating audits of acquisition functions in procurement, research and development and military construction. Other emphasized areas included military personnel, operations and maintenance and debt collection programs. One key acquisition effort finalized in this period was the DoD-wide Audit of Procurement of Spare Parts. This audit, directed by the Secretary of Defense, was a summary of eight audit reports issued by the OAIG-AUD audit staff, the Military Department audit organizations and DCAA. The audit identified practices that led to unreasonable prices paid by DoD activities for spare parts and actions taken to correct the causes. The auditors made 63 recommendations in their reports: 40 involved problems with implementing existing policies and procedures and 23 dealt with problems that required development of policies and procedures to augment existing guidance. Management comments to these recommendations were favorable. Audit efforts will continue in the spare parts area to ensure that DoD does not routinely pay excessive prices for spare parts.

• **OAIG-AUD Initiatives.** During the reporting period, OAIG-AUD took the following initiatives to im-

prove the effectiveness of its audit service to the DoD:

- **Advisory Reports.** Made increased use of advisory reports to management. The reports summarize the results of many audits made in recent years, add pertinent information and present a complete picture of known problems. They are intended to inform management of poor conditions or adverse trends and indicate corrective actions. Two report examples are:

-- **Management of Automatic Data Processing Equipment Maintenance.** The results of 37 prior audits and 2 studies were analyzed. The analysis showed there was no need to change DoD policies and procedures for the maintenance of automatic data processing (ADP) equipment. The report identified common problems in the areas of administering maintenance records, monitoring contractor performance, maintaining unused equipment and planning for maintenance. (OAIG-AUD 84-110)

-- **Acquisition of Data Processing Equipment.** Nine common problems were identified from 108 audit reports issued between October 1979 and December 1983. The common findings related to poor acquisition planning, lack of adequate justification for equipment, incorrect or incomplete lease versus-purchases analyses and other lax contract management practices. (OAIG-AUD 84-122)

- **Additional Professional Disciplines on the OAIG-AUD Staff.** In addition to auditors, the AUD staff will soon include six engineers, a business and industry analyst, a contract price analyst, a contract specialist, an operations research analyst, an industrial specialist and a logistics management specialist. At present, six of these professionals are on board and another six will be hired shortly. Their responsibilities will be to provide technical guidance and assistance to the auditors by determining the adequacy of audit specifications and standards, interpreting test results and evaluating their significance. With this expertise, OAIG-AUD audits will be more complete and meaningful.

• **Audit Highlights.** Following are highlights of significant internal audit reports issued by OAIG-AUD during the current period.

- **Sergeant York Division Air Defense (DIVAD) Gun System.** Routine steps in the acquisition process of the Sergeant York DIVAD Gun System were not performed properly. Pricing information was available to

the Army that was either not requested or not used to the best advantage by the procuring officials. Had this information been used as prescribed by the Defense Acquisition Regulation (DAR), significantly lower prices could have been obtained before award of the production contract. In addition, the prime contractor was able to negotiate substantially lower prices with 14 of 18 subcontractors after contract award. As a result, the Army may pay as much as \$84 million in unnecessary costs for the Gun System.

Recommendations were made to request a price reduction on the \$64.6 million contract, direct responsible procurement personnel to take action on a contract option to reduce target prices by about \$19 million, perform an analysis to identify other instances of unfair, unreasonable or invalid prices, and make sure subcontractor prices are fully evaluated when acquiring remaining quantities of the DIVAD Gun Systems. Because management did not agree with all the recommendations, the matter will be referred to Audit Followup for resolution. (OAIG-AUD 84-126)

**- Acquisition of New Special Airlift Mission Aircraft.** The auditors agreed with the Air Force's acquisition strategy and decision to replace 11 C-140 aircraft, but concluded that the replacement cost could be reduced. The 8-passenger capacity of the C-140 aircraft was sufficient to meet the Air Force's mission needs instead of the 14-passenger aircraft being solicited. Purchasing three leased C-20As and replacing eight C-140s with an 8-passenger aircraft could save more than \$50 million. The Air Force also plans to spend about \$22 million to modify the three leased C-20As. About \$10 million of this cost will be used to convert the electrical system from a combination of alternating current (AC) and direct current (DC) to an all AC system, even though the present AC/DC electrical system is adequate for commercial use and Air Force needs.

Recommendations were made to reduce the proposed acquisition of C-20A aircraft to three and initiate a competitive procurement of 8-passenger, executive-type business jets to replace the remaining C-140 aircraft. Another recommendation was made to eliminate plans for modifying the electrical systems on the three C-20A aircraft the Air Force is currently leasing. Management did not concur with the recommendations and the finding will be referred to Audit Followup for resolution. (OAIG-AUD 84-128)

**- DoD Computer Time-sharing Services.** DoD activities were incurring high costs for commercial computer time-sharing services because there was no method to identify government computer centers that offered comparable services at lower rates. The DLA could have saved about \$160,000 in FY 1984 by using a government computer center that could provide a portion of the needed computer time-sharing at a considerable savings over the current commercial vendor. Also, about \$1 million of \$12.9 million of costs were not identified and allocated to customers receiving time-sharing services at seven DoD computer centers.

The auditors recommended that the Assistant Secretary of Defense (Comptroller) (ASD(C)) issue implementing guidance on Federal Government Accounting Pamphlet 4 and OMB Circular A-121 and require computer centers to develop a plan to implement the full costing concept. They also recommended that the Army make adjusting accounting entries and establish better internal controls. Management concurred in the recommendations, and has indicated that, based on analyses of alternatives to commercial computer timesharing services, DLA can save about \$450,000 annually by establishing a government computer center. (OAIG-AUD 84-096)

**- Rent-Plus Housing Allowance Program in the Pacific - Rental of Commercial Hotel Rooms in Hawaii.** The Navy rented hotel accommodations for submariners whose ships were being worked on in the naval shipyard even though adequate housing was available at the naval station. The naval shipyard had two contracts for 87 rooms to house 174 crew members from two submarines undergoing deactivation or overhaul. As of April 30, 1984, \$370,000 had been spent to rent the commercial hotel rooms, and costs were continuing at about \$60,000 per month. Deactivation work on one submarine was nearly complete, but the overhaul on the other was scheduled to last until May 1985. Although management was aware of the unused unaccompanied housing, no action had been taken to terminate the contracts for hotel rooms.

In a quick-reaction report, the auditors recommended that the two contracts be terminated immediately and that government quarters be used to house the submarine's crews. Management concurred in the recommendations. The potential monetary impact is about \$580,000. (OAIG-AUD 84-099)

- **Management and Administration of the Uniformed Services University of the Health Sciences (USUHS).** Internal control weaknesses existed in the management and administration of support operations at the USUHS. Their year-end spending practices resulted in fourth quarter FY 1981 and FY 1982 purchases of \$1.2 million that were not for bona fide needs. Government property valued at \$20 million was vulnerable to theft or unauthorized use because of inadequate controls. ADP equipment costing \$290,000 was purchased sole-source without justification. Also, personnel positions were established without justified requirements. Eliminating the positions could result in savings of eight man-years of effort and \$208,000 in salary and benefits.

The auditors recommended that systems of internal and management controls be established to improve existing control systems. They also recommended that the USUHS eliminate duplication of effort, unnecessary administrative processes and unneeded positions; make accounting records accurate; and comply with existing DoD guidance. Management comments had not been received at the time of this report. (OAIG-AUD 84-111)

- **Report on the Audit of Outside Employment and Clinical Investigations by DoD Doctors.** The auditors evaluated the internal controls used by 10 DoD hospitals to prevent conflicts of interest, irregularities and improprieties by DoD doctors. They found that a significant number of doctors were not involved in any irregularities, improprieties or misconduct. However, at eight hospitals, 89 doctors did not obtain hospital command approval for outside employment, had outside employment that could interfere with military duties, referred patients to outside doctors or violated the law by accepting payments for employment outside of the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Also, drug companies and research organizations were financing clinical investigations at five DoD hospitals by making funds available for individual doctors without formal control and oversight by hospital officials. Doctors used \$47,000 in ways that violated the law and created the appearance of conflicts of interest.

The auditors recommended that procedures be improved for approving, monitoring and controlling outside employment and that grants be made through hospitals instead of to individual doctors. The Assistant Secretary of Defense (Health Affairs) concurred in the recommendations and stated that DoD Directives would

be revised or issued to address the policy areas presented in the report. (OAIG-AUD 84-124)

- **Pricing Support for Spare Parts Provided by the Defense Contract Administration Services.** The Defense Contract Administration Services (DCAS) provides quality support to the Services and the DLA supply centers. However, overhead and profit added by the prime contractor to parts obtained from subcontractors (pass-through costs) had not been adequately considered. Spare part purchases of 2,243 items valued at \$20.4 million were subcontracted by prime contractors. As a result, the government paid \$7.2 million in pass-through costs which were applied to these items by the prime contractors even though no direct materials or labor were added. A significant percentage of these costs could have been saved if purchases had been made from the source of manufacture rather than from prime contractors.

The auditors stated that the DCAS identify pass-through costs and breakout candidates to the buying activities. Also, guidance on pricing analysis requirements for low-dollar-value procurement should be strengthened. Because disagreement remains over pass-through costs, this report was forwarded to Audit Followup for resolution. (OAIG-AUD 84-092).

- **Hand Tools and Portable Power Tools.** Employees were in possession of an excessive number of tools, including unnecessary duplicates, resulting in larger-than-needed inventories and little control over issuing tools. Inventory records were not properly maintained nor were periodic physical inventories performed. Also, recently acquired tools often could not be traced to tool room control, and tool kits had not been standardized by trade or craft. A lack of guidance on tool control and marking resulted in the acquisition of sophisticated laser tool markers without adequate justification. The auditors believed that a significant portion of the annual expenditure for hand tools (more than \$118 million in FY 1982) was attributed to undetected losses and wasteful practices.

The auditors recommended tighter controls over the issuing and accounting for hand tools and portable power tools. Management agreed to take action which should correct the problems. (OAIG-AUD 84-061)

- **Base Communications.** The audit staff, at the request of the Deputy Under Secretary of Defense (Communications, Command, Control and Intelli-

gence), was tasked to determine whether base communications costs could be reduced by better management, automation or reduction of programs and services. The audit showed that personnel costs can be reduced by \$195 million over the next 5-year defense cycle if the Army and Air Force install completely integrated single line telephone systems as part of their ongoing telephone modernization program. An additional \$8 million can be saved annually if the Army and Air Force expand their commercial activities programs to appropriate locations.

The auditors made eight recommendations on the above issue. Management concurred in most of the recommendations or submitted alternative actions that were considered responsive. The potential monetary impact is \$203 million. (OAIG-AUD 84-080)

**- Bona Fide Need for Fiscal Year 1983 Year-End Spending.** An audit was made to determine if DoD activities made unneeded procurements during the month of September 1983 for the sole purpose of using expiring funds. In September, DoD activities had reported approximately 2.7 million procurement actions valued at \$25.0 billion. An analysis of a statistical sample of 1.3 million of the 2.7 million showed that, only in rare instances, were property and services purchased without a valid requirement. Of the \$7.4 billion worth of procurement actions included in the audit, only \$66 million (.9 percent) were unnecessary.

Recommendations were made to assure even better compliance with statutory requirements. However, because significant problems were not found, audit coverage in this area will be curtailed in future periods. Final management comments had not been received at the time of this report. (OAIG-AUD 84-117)

**• Current Status of OAIG-AUD Audit Recommendations Previously Reported as Pending Management Review and Concurrence.**

**- Procurement Decisions for Aircraft Spares.** The auditors examined 201 completed or anticipated procurement actions valued at \$96.3 million for aircraft replenishment spares for FY 1982 and concluded that procurements valued at \$4.8 million (5 percent of the value of those examined) could have been avoided. The auditor expanded their review to include 59 more completed or potential procurement actions that had the same characteristics as problem items in their initial review. These additional actions were valued at \$22.9

million. The auditors concluded that the potential expenditures on 41 of these additional actions, valued at about \$4 million, were not needed. Also, about \$65,000 could have been saved on other actions if buys had been made in economical quantities or if price breaks had been accepted from contractors. Further, about \$282,000 was spent for low priority needs even though funding was insufficient to meet all requirements.

The auditors recommended that guidance be issued for the procurement of aircraft spare components to emphasize the importance of consolidating various categories of buy requirements for individual supply items into single procurement actions; minimizing repetitive, uneconomical low-quantity buys; procuring items in economic production quantities to get price breaks; and ensuring that limited funding is allocated to buy those items most essential to the mission capability of critical aircraft. Management agreed with most of the audit recommendations in their initial response, and one disputed item was resolved. Supplemental guidance has been issued on consolidation of multiple requests for the procurement of spares. This interim guidance will be incorporated into applicable DoD policy directives. (OAIG-AUD 84-017)

**- Missile Maintenance Training.** The Air Force gave missile maintenance training to all its munition maintenance specialists even though only 10 percent were assigned to positions involving missile maintenance duties. Consequently, about 1,125 personnel were given unneeded training, which cost about \$4.2 million annually.

The auditors recommended that the Air Force evaluate the training costs for individuals who change major skill areas to ensure that extensive training is provided only to those personnel who will routinely perform missile maintenance duties. Management is planning to take appropriate corrective actions to satisfy the intent of the audit recommendations. (OAIG-AUD 84-026)

**- Procurement of Launch Control Cruise Centers (LCCs) to Support the Ground-Launched Cruise Missile (GLCM) System.** The Air Force planned to produce 15 more LCCs than were needed to support GLCM maintenance and training. Because there was no formal policy guidance to aid in determining major end item procurement requirements for maintenance and training, acquisition program managers were unable to determine how many extra LCCs were needed. A reduction of 15 LCC procurement requires

ments for maintenance and training would save an estimated \$86 million.

The auditors recommended that a formal procurement policy be developed for maintenance and training back-up of major end items to reduce the procurement requirements for 15 GLCM LCCs designated for maintenance and training use. The latter item was disputed by the Air Force and was resolved in June 1984. After the Air Force indicated the requirement had been reduced by two LCCs and would be reevaluated after additional operating experience has been gained, it was agreed that further reduction of the procurement program at this point might be premature. The Air Force will present a thorough reevaluation of program requirements, based on the most current data in the next Program Objectives Memorandum to the Secretary of Defense for review. (OAIG-AUD 84-026)

**- Procurement of Helicopter Gearboxes.** The auditors identified a high-dollar-value helicopter part (speed decriaser gearbox) which was being manufactured by a subcontractor and which should be purchased by the Navy directly from the manufacturer. If this part had been purchased directly from the manufacturer and given to the prime contractor as government-furnished equipment (GFE) for three ongoing contracts, significant savings could have been achieved. Some savings can still be achieved since manufactured parts on one of the contracts have not been delivered to the prime contractor and production has only just begun on another contract. Also, based on Navy acquisition plans, additional savings of about \$1.8 million may be available on future planned procurements.

Auditors recommended that speed decriaser gearboxes be procured on all future contracts for the SH-2F helicopter at the source of manufacture and that the practicality of modifying current contracts to provide the speed decriaser gearboxes as GFE be assessed. Management concurred in the recommendations and indicated that the Navy has planned an acquisition strategy which will be responsive to the audit report. (OAIG-AUD 84-027)

**- Disposition of Used Solvents.** Because of a lack of specific DoD policy guidance on recycling, reclaiming and disposing of solvents, DoD components were not disposing of used solvents in the most economical manner. Auditors found that 22 of the 34 DoD activities they visited were not recycling or reclaiming solvents. They also found that unnecessarily expensive

methods were often used to dispose of unrecycled or unreclaimed solvents. DoD can save an estimated \$10.3 million annually by improving programs for recycling solvents. Additional savings can also be achieved by reclaiming solvents and by eliminating unnecessarily expensive disposal methods.

Auditors recommended that DoD activities be required to recycle or reclaim solvents if economically feasible, to sell all used solvents that cannot be recycled or reclaimed and to dispose of only nonrecyclable solvents. Management concurred with the recommendations, and provided guidance for the phased termination of disposal of recyclable solvents as wastes by October 1986. Implementation plans and progress of the DoD components efforts will be closely monitored. (OAIG-AUD 84-031)

**- Excess Government-Furnished Material (GFM).** Auditors identified \$24.8 million worth of excess GFM at production contractors' plants that was not required for contract performance. Neither the government nor the contractors had adequate procedures to identify and resolve excess GFM conditions. Some of the excess could have been used to satisfy Military Service operational requirements.

Auditors recommended that a one-time review be made of production contractors who have significant amounts of GFM. They also recommended that data and reporting systems be structured to readily identify excess GFM. Management concurred with the recommendations and will monitor the progress of the action taken, but indicated that not all the material identified as excess can be applied to fill operational requirements. (OAIG-AUD 84-032)

**- Department of Defense Dependents Schools (DoDDS) Organizational Structure and Staff.** Auditors found that support activities in DoDDS regional offices were overstaffed because manpower requirements did not relate to expected workload volume and that 172 DoDDS support positions could be eliminated for an annual savings of \$5.2 million.

Auditors recommended that DoDDS restructure the regions to realize optimum personnel reductions. Management agreed with the recommendations and indicated that reviews would be conducted to define a viable organizational structure. (OAIG-AUD 84-050)



**- Special Pay Compensation for Health Professionals.** From FY 1981 through FY 1983, the Services gave continuation pay totalling about \$24 million to dentists serving in three specialties, although current or projected shortages did not exist in the specialties. Although DoD Directive 1340.8 permits continuation pay to alleviate the shortages of physicians serving in designated critical specialties, it does not require an annual review of manning levels to designate critically undermanned specialties.

Auditors recommended that the directive be revised to require an annual review of manning levels to determine which specialties should no longer be designated as critical. They also recommended discontinuance of incentive pay to those dentists serving in specialties that should not be designated as critical. Management agreed with all recommendations except two that involved the revision of policy on selection and assignment of health care professionals and the reduction of incentive pay to physicians in noncritical specialties. The recommendations in dispute were resolved on September 28, 1984. New information was developed that showed progress has been made in selecting and assigning health care professionals efficiently. Likewise, controls over incentive special pay have been improved. (OAIQ-AUD 84-052)

**- Temporary Housing Costs for Enlisted Personnel During Barracks Renovation.** Changes in the policy and procedures for allowing temporary lodging allowance for enlisted personnel stationed in Seoul could save the government over \$1.4 million each year. Giving personnel who are temporarily displaced from their barracks a quarters allowance was impractical. But savings could be achieved by discontinuing payment of temporary lodging allowance for enlisted members who cannot be billeted on post.

Recommendations were made to discontinue billeting personnel in hotels and to make any unused space in billeting facilities available to personnel from other subordinate commands within the Yongsan area. Management concurred with the findings and put procedures into effect which were responsive to the auditors' recommendations. The potential monetary impact is \$1.4 million. (OAIQ-AUD 84-059)

## **Military Service Internal Audit Organizations**

### **U.S. Army Audit Agency**

**• Statistical Summary Information.** The AAA issued 179 final audit reports during the 6-month period ending September 30, 1984. The 179 final reports identified \$346.4 million in potential monetary benefits. Management concurred in recommendations that could result in \$63.2 million in monetary benefits. Management is still considering its position on the recommendations in final audit reports with potential monetary benefits of \$282.0 million.

**• Audit Concepts.** During the reporting period, the AAA continued to increase coverage of the acquisition area. The agency placed emphasis on evaluation, acquisition and contract administration to learn whether appropriate internal controls existed to minimize the potential for wasteful and fraudulent contracting practices. The agency also placed audit emphasis in research and development, requirements determination, retail supply (particularly economy in stockage and shipment of supplies) and personnel management.

In addition to regularly scheduled audits, the agency participated in a Defense-wide Audit of Procurement of Spare Parts. The agency issued six advisory reports to Army staff and field commanders, pointing out common problems identified during recent audits with suggested actions to correct similar conditions that might exist at other installations. The AAA issued a summary report on the Army's implementation of the Federal Managers' Financial Integrity Act and OMB Circular A-123. Efforts to detect and prevent fraud, waste and abuse continued to be an area of special emphasis in all audits.

**• Audit Highlights.** The AAA reported the following significant audit findings during the 6-month period ending September 30, 1984:

**- Cost Sharing.** The Army CoE districts planned to construct about \$23.1 million worth of inappropriate recreation facilities under cost-sharing agreements. The federal share of construction costs for these facilities was about \$11.6 million. The questionable facilities should not have been planned because they were not always directly related to the water resource mission, revenue-producing activities were improperly supported or traditional levels of development were exceeded. The

agency recommended that management review and revise existing cost-sharing agreements and establish better visibility and control over the agreements. Command agreed and stated that agreements would be reviewed on a case-by-case basis during the budget process. At those projects where there is a capability to make changes, the nonfederal sponsors will be contacted to renegotiate the types of facilities to be cost-shared. The official command reply process, which will address the reasonableness of potential monetary benefits, is still in process. (AAA SW 84-207)

**- Construction of Educational Facilities.** About \$7.3 million in construction costs for certain facilities in the development plans for two education centers were not adequately documented and justified.

The auditors recommended that management suspend the award of the construction contracts at the two centers until the need for all the facilities was completely supported. Command agreed, suspended the award of the contracts and offered a possible solution by building only traditional type facilities at federal expense. Based on cost estimates by the CoE districts, this option would allow about \$5 million to be reprogrammed for other facilities. (AAA SO 84-207)

**- Corps of Engineers-Managed Recreation Areas.** The Army could avoid about \$19.2 million annually in operation and maintenance costs by leasing or closing 5 percent of the recreation areas that are the most costly for the CoE to operate. The Corps managed 44 percent of its developed recreation areas; the remaining areas were managed by private enterprise, public entities and other entities. Cost reductions can be achieved by turning over management of more areas to private enterprise, consolidating little-used areas and encouraging nonfederal public entities to manage more areas. Such a program would be consistent with the current policy to reduce the federal role in operation and maintenance activities.

The auditors recommended that the number of Corps-managed recreation areas be reduced. Command agreed and stated that the general criteria for identification of areas that could be closed, consolidated or transferred will be made available to the field by October 1, 1984. The official command reply process, which will address the reasonableness of potential monetary benefits, is still in process. (AAA SW 84-207)

**- Modern Technology Engine Program.** By canceling the acquisition of the prototype engines and the performance-abusive testing, the Army should accrue one-time cost avoidances of \$17,834,000 and \$35,379,000, respectively. Planned development of the modern technology engine no longer parallels projected Army airframe development. The engine being developed is now expected to precede candidate airframe development by several years. Technological improvements could change the requirement for these prototype engines. These funds could then be used to satisfy funding requirements for other Army research and development programs.

Auditors recommended that full-scale development of the engine not be scheduled until 12 to 24 months before full-scale development of the airframe, the option to acquire six prototype engines not be exercised, and abusive testing of prototype engines be canceled. Command agreed and stated that the prototype engines and abusive testing were not needed. (AAA EC 84-13)

**- Production Program.** Savings estimated at \$20 million could be realized if the Maneuver Control System acquisitions for FY 1985 through FY 1988 were made competitively, based on a 15 percent cost reduction as a result of competition. A technical data package suitable for competition was obtained in March 1984. Savings estimated at \$9 million could also be realized if components not yet on contract are broken out. Savings from breakout are possible because the sole-source contractor's markup of 29.4 percent for general and administrative expenses and profit would be avoided. The production program for the Maneuver Control System did not call for competition and component breakout.

Army auditors recommended that command competitively acquire FY 1985 through FY 1988 quantities of the Maneuver Control System and make breakout reviews and decisions for eight susceptible system components. Command generally agreed to perform component breakout reviews but did not agree with the recommendation and benefits on competitively acquiring future quantities of the Tactical Computer System and the Tactical Computer Terminal (major subsystems of the Maneuver Control System). The official command reply process, which will address the reasonableness of potential monetary benefits, is still in process. (AAA NE 84-11)

- **Excess Stocks.** About \$1.4 million in excess stocks of expendable items were on hand and on order at a large Army installation. The excess stockage occurred because unit personnel were not computing or periodically evaluating stockage levels based on historical demand activity. Retention of excess stocks unnecessarily ties up operating funds, increases administrative and storage costs and increases the potential for loss or unauthorized use.

AAA recommended that command identify excess items, redistribute such assets on the installation and report the remaining excess items for disposition. Command officials agreed in principle and stated that after appropriate stockage levels have been recomputed, they will make a determination of excesses, turn in any excess items, and make a continuing effort to do the same with future excess. The official command reply process, which will address the reasonableness of potential monetary benefits, is still in process. (AAA SO 84-706)

- **Shipment of Supply Support Material.** Army auditors estimated that transportation costs for package processing point operations could be reduced by at least \$12.4 million during FY 1984 through FY 1986 if Army management would restrict the routine use of air transportation to ship supply support items. The cost of shipping initial supply support items for new equipment to and from Army depot package processing points was higher than necessary. The use of expedited handling and shipping methods was often unnecessary because the materiel was held in storage at the package processing point for several months. Also, all support packages that included repair parts and technical manuals were routinely shipped from the processing point to overseas units using premium (air versus surface) transportation.

AAA recommended that command develop procedures restricting the routine use of expedited processing and shipping methods for materiel destined for package processing points and publish guidance requiring the use of surface transportation for the overseas shipment of supply support packages. Command agreed. The official command reply process, which will address the reasonableness of potential monetary benefits, is still in process. (AAA NE 84-10)

- **Reuse of TOW Components and Launch Pod Containers.** The Army could avoid costs of about \$7 million over the next 6 years by returning reusable TOW missile cases and associated items to the Army

supply system following firings of the missiles. These items could be used to fabricate TOW missile simulation rounds. In addition, formal plans had not been developed to recover and reuse launch pod containers for the Multiple Launch Rocket System. At the request of Army auditors, the Multiple Launch Rocket System Project Office made an informal cost study and determined that reuse of tactical and practice containers to make containers for use in training soldiers could avoid costs totalling about \$900,000 from FY 1984 through FY 1986.

The auditors recommended that command assign recoverability codes to direct the return of used TOW missile cases and associated items to the Army supply system and have the prime contractor submit a cost proposal for using expended launch pod containers for the Multiple Launch Rocket System when making trainers. Command agreed and stated that action had been initiated on both recommendations. The official command reply process, which will address the reasonableness of the potential monetary benefits, is still in process. (AAA SO 84-13)

## Naval Audit Service

• **Statistical Summary Information.** NAVAUDSVC issued 236 final audit reports during the 6-month period ending August 31, 1984. The 236 final reports identified \$7.9 million in potential monetary benefits. Management concurred in recommendations that could result in \$1.5 million worth of monetary benefits. Management is still considering its position on the recommendations in final audit reports with potential monetary benefits of \$6.4 million.

• **Audit Concepts.** For audits completed during the last half of fiscal year 1984, the NAVAUDSVC emphasized the detection and prevention of fraud and waste in recommending management improvements. Much effort was placed on the functional areas of procurement, comptroller, supply, support, automated data processing systems, and manufacturing, maintenance and repair. Also, to improve its operations, NAVAUDSVC:

- Modified the audit guide programs to emphasize coverage of contractors' subcontracting policies and procedures.

- Established a procedure to apply risk assessment criteria to potential audits so that those selected for execution represent the most effective application of audit resources.

• **Audit Highlights.** The following are examples of significant findings and recommendations from audit reports issued by the NAVAUDSVC during the last half of FY 1984:

- **Submarine Refits.** An audit of the Trident Refit Facility, Bangor, ME, disclosed that controls were not in effect to ensure that submarine refit work was coordinated with major overhaul, repair, and deactivation work plans scheduled at naval shipyards. Between March and May 1982, the facility spent nearly \$800,000 in material and labor costs to do lower priority refit work on the *U.S.S. Ethan Allen*, which was scheduled for deactivation shortly thereafter.

NAVAUDSVC recommended that the Commander, Submarine Squadron 17 establish procedures to improve coordination of submarine refits with the major overhaul, repair and deactivation programs established by the Chief of Naval Operations (CNO) and Commander, Naval Sea Systems Command and to strengthen procedures for review of refit work requests to minimize approval of lower priority work on submarines scheduled for early deactivation. Management concurred and initiated appropriate corrective actions. (NAVAUDSVC CI7533L)

- **Computation of Requisitioning Objectives and Reorder Points.** An audit disclosed that the computation used in a naval computer program placed undue importance on fixed allowance quantity as a determinant of the requisitioning objective and reorder point for demand-based items. The computation allows one element (the safety level) of the requisitioning objective to be no lower than the allowance. Since this builds in an unnecessary cushion, the auditor estimated that the authorized inventory of consumable material for 13 Marine Air Groups had been overstated by at least \$7,179,858.

NAVAUDSVC recommended that the sponsor of the system return to the previously used method for computing reorder points for demand-based items. Management concurred with the recommendation and the estimated savings and stated that an appropriate modification will be made. (NAVAUDSVC J10033)

- **Control and Accountability Over Tool Inventories.** An audit of the Charleston Naval Shipyard disclosed that the yard did not have effective internal controls and accountability over toolroom or tool crib inventories. The auditors could not validate about \$41

million, or 25 percent, of the \$16.2 million in reported tool assets as of November 30, 1983. Because the shipyard did not maintain adequate documentation, the auditors could not determine if the discrepancy represented missing or lost tools or errors in recording onhand quantities. The shipyard had not developed or implemented adequate physical inventory procedures to provide reasonable assurance that tool crib inventories were properly accounted for; inventory adjustments were adequately documented, authorized and investigated; and records were reliable.

Naval auditors recommended that management develop and issue written physical inventory procedures; perform a complete wall-to-wall inventory of all tools and investigate discrepancies; and document inventory counts and retain records of those inventories pending completion of the next periodic inventory. Management concurred with the findings and recommendations and provided a January 1985 target completion date for their implementation. (NAVAUDSVC CI3611L)

- **Tactical Embedded Mainframe Computers.** An audit disclosed that timely approval by the CNO of long lead-time item procurement of at least 94 computers will prevent users of the AN/UYK-43(V) computer from having to use the obsolescent AN/UYK-7(V) computer. CNO's action is needed because Research, Development, Test and Evaluation funding shortfalls have delayed the completion of full-scale engineering development by 1 year; users whose systems are undergoing upgrade or are under development must decide during 1984 to commit to a particular computer system; these scheduled users only have procurement funds and lack the funding currently needed to purchase this computer system; and a requirement by the CNO to operationally test each application of a system before it is approved for production will cause further delays in obtaining approval for full production. Approval for long lead-time procurement, however, would permit users to purchase AN/UYK-43(V) computers, use procurement funding and preclude costly backfit.

NAVAUDSVC recommended that the CNO authorize procurement of AN/UYK-43(V)s with production funds under long lead-time item provisions. Management concurred. Documentation is being drafted which will initiate the program review to support AN/UYK-43(V) procurement under long lead-time item provisions. (NAVAUDSVC K30112)

**- Controlling Cost Growth on Delivery Orders.** An audit disclosed that the Pacific Missile Test Center did not require contractors to provide the levels of effort negotiated in delivery orders under cost-plus-fixed-fee indefinite delivery indefinite quantity term contracts and did not adequately monitor contractor's performance while work was in progress. Consequently, the test center sometimes did not get the levels of effort negotiated in the delivery order or get the levels of effort at a higher cost. Review of 48 delivery orders issued under three completed cost-plus-fixed-fee term contracts showed that the test center received only 164,477 (89 percent) of the 184,546 levels of effort labor hours specified in the delivery orders, but without a proportionate reduction in the amounts paid. Instead, the test center paid \$3,769,732 (93 percent) of the negotiated costs of \$4,050,061. Of this difference, \$121,110 represents cost growth resulting from increases in the composite billing rates used by contractors above that negotiated for delivery order awards. On the three reviewed contracts, the billing rate increase ranged from \$ .47 to \$1.09 per hour.

Naval auditors recommended that the test center monitor the contractors' performance through time card reviews, cost distribution schedules, progress reports and labor floor checks; amend delivery order awards when contractor performance shows that reduced levels of efforts will accomplish the work; and establish controls to identify cost growth due to changes in the labor category mix during contract performance. Management concurred and has taken actions which will lay the groundwork for improved control over the administration of delivery orders. (NAVJUDSVC C14533L)

**- Calculating Federal Income Tax Liability.** An audit of the Navy Finance Center showed that it remitted to the Internal Revenue Service (IRS) about \$19 million more in federal income tax than it withheld from members' pay for the 1981 and 1982 tax years because it used an incorrect procedure to compute prior year tax liability adjustments.

Auditors recommended that the center adjust the remittances for the prior years and request credit from the IRS for excess remittances. The Finance Center agreed to use correct procedures to adjust tax payments and to request credit from the IRS. (NAVJUDSVC C14723)

## Air Force Audit Agency

**• Statistical Summary Information.** During the 6-month period ending August 31, 1984, the AFSA issued 1,054 final audit reports which identified \$655.6 million in potential monetary benefits. Management concurred in recommendations that could result in \$75.6 million in monetary benefits and is still considering its position on final audit report recommendations with potential monetary benefits of \$53.8 million.

**• Audit Concepts.** Audits during this period concentrated primarily on improving management in supply, procurement, real property and systems acquisition, with particular emphasis on management of spare parts, readiness and sustainability, information technology and procurement.

**• Audit Highlights.** The following are examples of significant AFSA audits completed during the period:

**- Reclamation of Excess Aircraft Engines.** Aircraft engines projected to become excess were not considered as a source of supply for satisfying spare parts requirements for FY 1983 through 1985 on the J57-43, J75-17, and J85-17 engines. Considering the engines as a supply source could save the Air Force nearly \$14.5 million. But the Air Force regulation did not require assets from engines projected to become excess to be matched to spare parts requirements.

The auditors recommended revisions to the Air Force regulation which would establish reclamation responsibilities and require managers to consider engines projected to become excess as a source of supply for spare parts. The auditors also recommended that management review spare parts contracts to see if it was possible to satisfy requirements through reclamation and thus eliminate or reduce procurement quantities. Management concurred and agreed to take the recommended corrective actions. The potential monetary impact is \$14.5 million. (AFSA 3010212)

**- Overpricing of Initial Spare Parts.** Initial spare parts for the E-3A, F-16 and B-1B aircraft and for the Air Launched Cruise Missile programs were overpriced by more than \$428,000. Of the 100 line items reviewed by an auditor, 55 items supplied by three prime contractors were overpriced because of purchases of uneconomical quantities, purchases from prime contractors rather than directly from subcontractors, provisioning of national stock numbered items, urgent spares

requirements, pricing errors, or ineffective cost and price analysis techniques. Based on statistical projection, the auditor estimated that 1,241 initial spare parts were overpriced by \$1,196,270 in FY 1983.

Because management had already taken corrective action which, when fully implemented, should eliminate further cases of overpriced initial spares for the E-3A, F-16 and B-1B in FY 1983, no further recommendations were made. The total potential monetary impact cannot be determined at this time. (AFAA 40404H)

**- Allowance and Authorization Management.**

Auditors identified unauthorized equipment valued in excess of \$2.3 million during their review of the aircraft and weapon support tables of allowance. They also found that management had not taken action to dispose or redistribute 119 of 164 line items which were excess to unit requirements. These conditions were caused by inadequate reviews, poor guidance and personnel turnover.

The auditors recommended that management review and update table of allowance changes, perform and document self inspections and justify or turn in excess property. Management concurred and agreed with the recommended corrective actions. The potential monetary impact is \$3.1 million. (AFAA 830-4-14)

**- Tank Truck Requirements and Use of Hydrant Systems.** About 27 refueling tank trucks, which are scheduled for replacement in FY 1988 at a cost of \$2.9 million, may not be needed by five major commands and the Air National Guard. The authorizations were misstated because the commands used inconsistent methods to find the most stringent wartime tasking to learn the extent of use for fuel hydrant systems and to determine the number of fuel issues supported by refuelers. In addition, improved use of existing hydrant systems could decrease the need for an additional 115 tank trucks and save the Air Force \$12.2 million in its planned refueler buy in FY 1988. The Air Force could also reduce the FY 1988 refueler purchase by as many as 247 refuelers (\$26.1 million) if allowance documents are changed to recognize increased usage during wartime.

The auditors recommended that the Air Force establish specific policies and planning guidance for computing refueler authorizations, require the major commands and the National Guard to recompute their refueler authorizations based on the new policy and to adjust

their authorizations and redistribute on-hand quantities. The auditors also recommended that the recomputation of refueler requirements be based on increased hydrant usage and improved allowance documents. When validation of authorizations is complete, the Air Force should adjust the FY 1988 buy before final procurement of replacement refuelers. Management concurred and agreed to take the recommended corrective actions. Potential monetary impact is \$42.3 million. This estimate will be revised when the extent of possible reductions following recomputations is known. (AFAA 30106J0)

**- Initial Spares Support Lists (ISSL).** Special levels on the ISSL requirement portion of the *Recoverable Consumption Item Requirements System* had purchase requests in process that contained requirements that were overstated by \$8.3 million. This condition occurred because ISSL authorizations were based on incorrect computer updates and base ISSL requirements which exceeded the authorized 2-year period were included in the requirements computation.

The auditors recommended setting up procedures to ensure that item managers are periodically notified of the correct ISSL updates, issuing instructions for properly computing ISSL requirements--excluding the requirements which exceed the 2-year period authorized, recomputing special levels for 10 items identified during the audit, and cancelling any unnecessary requests. Management concurred and agreed to take the recommended corrective actions. The potential monetary impact is \$8.3 million. (AFAA 435-4-36)

**- Initial Spares Support Lists (ISSL).** An air logistics center had overstated initial spares requirements for the B-52 and the F-15 by over \$3 million due to incorrect application of user-demand levels and order and shipping time-repair cycle quantities in requirements computations. Also, the center had not complied with Air Force logistics command policy on the expiration of ISSL items, which caused inflated asset levels of about \$4 million. The incorrect computations were caused by poorly defined command and local policies on ISSL computations and inadequate training of inventory managers in special level processing procedures. The inflated asset levels were due to an incorrect interpretation of headquarters policy on deleting special levels which exceed the 2-year expiration period.

The auditors recommended that management clarify processing procedures in local guidance, provide need-

ed training, review ISSI computations to ensure demand levels and shippingtime repair cycle quantities are accurate and comply with headquarters guidance. Management agreed with the findings, recommendations and potential monetary benefit and took corrective actions during the audit. The potential monetary impact is \$7.3 million. (AFAA 875-4-21)

**- Management of War Readiness Spares Kits (WRSK).** The Air Force could save \$10.6 million if requisitions for non-supportable WRSK authorizations were cancelled. Requisitions for 138 assets valued at over \$15 million still exist even though the matching request has been cancelled or the quantity decreased. Base supply technicians had not realized additional cancellation actions were required.

The auditors recommended that management remove the need for additional cancellation actions for non-supportable WRSK by programming the computer to request cancellation of excess requisitions (\$10,597,000) and update requisitions for possible early shipment. The auditors also recommended periodic review of requisitions. Management concurred and agreed to take the recommended corrective actions. The potential monetary impact is \$10.6 million. (AFAA 706-4-11)

**- Engineering Service.** At one air logistics center, purchased engineering and technical services time were unsatisfactory and administrative practices to verify contractor labor hours billed for FY 1983 needed improvement. The center spent \$157,288 for unused engineering services because tasks were not monitored or effectively used. In addition, the center had not acted on a DCAA report questioning \$671,281 of service costs in prior years.

The auditors recommended that the center's management implement procedures to track contractor progress and require contract compliance. The auditors also recommended that management initiate recoupment action for the costs questioned (\$6,711,281). Management concurred and agreed to take the recommended corrective action. Potential monetary impact is \$828,569. (AFAA 452-4-34)

**- Visiting Officers' Quarters (VOQ) Construction.** At one installation, current and projected billeting requirements did not support the proposed FY 1990 construction of a 140-room VOQ. By constructing a 60-room VOQ, which would support current and projected billeting requirements, an estimated \$4.6 mil-

lion in construction costs would be saved.

Recommendations were made to cancel the 140-room VOQ military construction project and request a 60-room VOQ to be built as soon as possible. Management concurred and agreed to take the recommended corrective actions. The potential monetary impact is \$4.6 million. (AFAA 412-4-13)

**- Test Range Construction Projects.** Planned military construction projects for commercial power, roads and expansion of a block house at an Air Force test range were unjustified. Funding requests for these projects, which totalled over \$7 million, were unsupported by valid requirements. Auditors found that the range was minimally used and that adding improvements to power and roads would provide insufficient economic benefits to support the investment. Additional space in the existing block house was no longer needed because the expansion was based on space for incoming equipment which was no longer needed for the site. Range group planners and development personnel had planned these projects without fully evaluating the usage of the range and its economic benefits.

The auditors recommended cancellation of plans to surface the roads, connect commercial power lines to equipment sites and expand the block house. Management agreed with the recommendation, cancelled planning for the projects and adjusted budget documents accordingly. The potential monetary impact is \$7.43 million. (AFAA 456-4-14)

**• Current Status of Military Service Audit Organization Recommendations Previously Reported as Pending Management Review and Concurrence**

**- Recruitment and Retention Pay.** Recruitment and retention payments of up to \$845,000 were made annually by an Army medical activity to civilian physicians although no shortages existed for most medical specialists and no determination had been made on the existence of significant recruitment or retention problems. Further, the salaries paid to physicians were the maximum allowable because no one had decided whether a lesser amount would resolve any potential recruitment and retention problems. Also, over \$30,000 was paid to a doctor who was ineligible for recruitment and retention pay, and over \$38,000 was due but not collected from physicians who resigned before completing their service agreements.

The auditor recommended that the command cancel service agreements for bonus payments and discontinue differential payments unless a significant recruitment or retention problem was identified and documented for critical physician specialties. Command officials agreed with the bonus payments. They did not agree, however, to discontinue the differential payments, stating that this action was not within their power. The estimate of the potential monetary benefits is considered reasonable. (AAA SW 84-4)

- **Scope Exchange Program.** A major command's direction, planning and procurement practices for replacing 100 antiquated leased telephone systems under the Scope Exchange Program did not ensure the most cost-effective replacement of leased systems. The command did not plan for purchase funds in any program year, although an economic analysis showed that over \$5.3 million in operation and maintenance funds could be saved annually. Also, the command's practice of using separate rather than consolidated procurement actions for Scope Exchange equipment replacements could result in about \$20 million in unnecessary contracting and administrative costs over the 10-year life of the program.

Auditors recommended that command defer replacement of telephone systems pending a determination of fund availability for equipment purchases and of the most cost-effective purchase method for equipment acquisitions. Command nonconcurred. Later, the nonconcurrences were resolved in favor of the audit. (AFAA 2140110)

## INTERNAL AUDIT RESOLUTION AND FOLLOWUP

OIG, DoD continues to reinforce the linkage between the audit, audit followup and resolution processes by strengthening its program objectives of: (1) resolving disputed audit recommendations promptly and (2) ensuring that agreed-upon suggestions for savings or improvements are completed.

During the reporting period, DoD Directive 7650.3, "Followup on General Accounting Office, Internal Audit and Internal Review Reports" was revised. The revision reemphasizes the need for a field verification of audit followup and tightens the requirement that OAIG-AFCU follow up on all OIG reports.

Table 3 summarizes internal audit resolution activity, and table 4 is a summary of internal audit followup.

**TABLE 3. SUMMARY OF INTERNAL AUDIT RESOLUTION ACTIVITY**  
**6-Month Period Ending September 30, 1984**

	Reports	Recommendations	Monetary Benefits (\$ millions)
<b>OFFICE OF INSPECTOR GENERAL, DoD</b>			
Unresolved Beginning of Period	3	5	\$ 0
Elevated During Period	8	11	1.3
Resolved During Period	9	12	.2
Unresolved End of Period	2	4	0
<b>MILITARY DEPARTMENTS<sup>1/</sup></b>			
Unresolved Beginning of Period	106	285	19.6
Elevated During Period	137	344	826.4
Resolved During Period	157	410	86.3
Unresolved End of Period <sup>2/</sup>	86	219	740.0
<b>TOTALS</b>			
Unresolved Beginning of Period	109	290	19.6
Elevated During Period	145	355	827.7
Resolved During Period	166	422	86.5
Unresolved End of Period	88	223	740.0

<sup>1/</sup> Preliminary data.

<sup>2/</sup> There were no unresolved findings and recommendations over 6-months old at the end of the period.



**TABLE 4. SUMMARY OF INTERNAL AUDIT FOLLOWUP ACTIVITY**  
**6-Month Period Ending September 30, 1984**

<b>Reports Processed</b>	<b>Reports</b>	<b>Findings</b>	<b>Recommendations</b>	<b>Estimated Value<sup>2/</sup> (\$ in millions)</b>
<b>OAIG-AUD</b>				
Open beginning of period	189	419	982	\$ 442.3
Received during period	56	107	250	829.1
Closed during period	54	94	358	971.4
Open end of period	191	432	874	794.3
<b>Military Departments<sup>1/</sup></b>				
Open beginning of period	1,237	2,924	4,807	553.8
Received during period	1,362	4,171	7,836	1,020.3
Closed during period	1,400	4,359	8,239	141.3
Open end of period	1,199	2,736	4,404	1,230.2
<b>Summary</b>				
Open beginning of period	1,426	3,343	5,789	996.1
Received during period	1,418	4,278	8,086	1,849.4
Closed during period	1,454	4,453	8,597	1,112.7
Open end of period <sup>1</sup>	1,390	3,168	5,278	2,024.5

<sup>1</sup> Preliminary data.

<sup>2</sup> These figures reflect re-estimates of monetary benefits made as the agreed-upon corrective actions are carried out and tracked to completion during audit followup.

#### **Internal Review**

Internal Review Groups in the Army, Navy, Marine Corps and DLA help a commander detect problem areas and warning indicators, such as the over expenditure of funds, misuse of resources and poor control of property, materiel and supplies. The groups also serve as troubleshooters by making quick and limited reviews when problems arise. They assist in local command vulnerability assessments, serve as audit liaison when internal audits are made by others and perform audit followup.

The Air Force does not use the internal review approach. Instead, the AFAA handles the direct audit needs of local commanders.

During the reporting period, the Military Services issued 7,662 internal review reports (see table 2) with recommendations that could result in benefits of \$33.0 million, a 46 percent decrease over the prior period.

#### **SIGNIFICANT INTERNAL REVIEW ACCOMPLISHMENTS AND MANAGEMENT INITIATIVES**

- **Army Internal Review.** For the 6-month reporting period, the Army issued 2,188 internal review reports with potential monetary benefits exceeding \$23 million. The Army also detected 29 potential fraud cases and referred them to investigative organizations.

To improve its internal review program, the Army:

- Established a Travel Fraud Working Group and a Fraud and Waste Coordinating Committee to help commanders detect inspection and audit problems.

- Emphasized the Spare Parts Initiatives Program at the Army Materiel Command to prevent overpricing.

- Took initiatives to bill and collect depot maintenance and personnel labor costs incurred by the For-

eign Military Sales Program. One system which was co-developed by the Army Materiel Command and the Army's Finance and Accounting Center should result in an additional annual billing and collecting of \$20 million.

- Established coordinating procedures and internal controls with the State Department that should result in the recoupment of about \$25 million in Army research and development costs for items sold to Foreign Military Sales customers by direct sales from vendor contracts.

- Trained Army Staff Principals to help them develop internal control review checklists. The checklists will become part of Army Regulations, provide a functional proponent perspective on internal control vulnerabilities and give consistent guidance on the minimum internal control review steps needed to evaluate the effectiveness of internal controls. This initiative will institutionalize the Army's Internal Control Systems Program and make its implementation more efficient.

- Realigned the organization of internal review field offices from comptrollers and resource managers to the command group as a separate staff element. The organizational change was directed in response to auditor independence requirements in Comptroller General of the United States Audit Standards and OMB Circular A-73. The realignment officially recognizes Army internal review as a professional audit resource.

- **Navy Internal Review.** Navy management believes that internal review in the Navy and Marine Corps is an indispensable asset to Navy commanders in that it continues to play an important role in the prevention and detection of unproprieties at the command and activity level.

During the reporting period, the Navy gave functional area training to internal reviewers to familiarize them with programs and functions outside the financial management area. The training included procurement, supply management and ADP and highlighted fraud, waste and mismanagement and related systems of internal control. The Navy plans to expand the content and frequency of the training to enhance its internal review capability.

Navy internal review personnel were active in assisting command and activity management in its Federal Managers' Financial Integrity Act implementation ef-

forts. The internal review involvement included training local managers on internal control program requirements and providing technical assistance to managers during the vulnerability assessment and internal control review processes. Such actions increased management's awareness of the relationship of effective control systems to the prevention of fraud, waste and mismanagement.

Marine Corps headquarters established a program to highlight audit emphasis areas for Marine Corps internal reviewers. During the reporting period, audit emphasis letters were sent to internal reviewers. The letters covered the Civil Service Retirement Act and Federal Employees Group Life Insurance unliquidated obligations, wasteful year-end spending, unused airline tickets and cash management.

### **Internal Review Followup**

The Army, Navy and DLA internal review organizations often take the lead in following up their own reports. Their followup activity is shown in table 5.

### **Military Exchange Systems Audit**

Most military exchange system recommendations made during this period were to correct the deficiencies in systems and procedures which could lead to potential exchange losses or to implement controls in areas where fraud had occurred because of system breakdowns.

The military exchange systems' audit organizations issued 50 reports (see table 2), with recommendations that could result in monetary benefits of about \$2.5 million, largely in future cost avoidances.

### **Military Exchange Systems Audit Followup**

Each military exchange system manages its own audit followup system.

The responsibility for resolution and followup of AAFES reports is vested in the deputy commander, the senior resolution official who adjudicates disagreements not resolved at lower levels. The followup system is managed centrally at AAFES headquarters by the AAFES audit division, which uses a manual system to track each report recommendation. AAFES management personnel provide status updates in response to formal inquiries made by the audit division and signed by the deputy

**TABLE 5. SUMMARY OF FOLLOWUP ACTIVITY ON INTERNAL REVIEW REPORTS<sup>1/</sup>  
6-Month Period Ending September 30, 1984**

	Reports	Findings	Recommendations	Monetary Benefits <sup>2/</sup> (\$ in millions)
Open Beginning of Period	2,248	7,441	10,372	\$42.7
Referred to Followup System	7,887	19,157	23,702	64.2
Closed During Period	8,037	18,935	23,170	40.8
Open End of Period	2,098	7,663	10,904	63.8

<sup>1</sup> Preliminary data.

<sup>2</sup> These figures reflect re-estimates of monetary benefits made as the agreed-upon corrective actions are carried out and tracked to completion during audit followup.

commander. AAFES auditors make on-site followup on selected issues during later cyclic audits. (OIG, DoD advised the Commander, AAFES that the OAIG-AFU will review AAFES audit resolution and followup system in fall 1984.)

NAVRESSO tracks audit report recommendations by using an automated followup system, which is maintained at the headquarters level and updated quarterly. Exchange auditors make on-site validation of management's corrective actions during later audits. Based on an oversight review made in August 1984, the OAIG-AFU gave NAVRESSO recommendations for improved procedures to enhance the effectiveness of their audit resolution and followup system.

Table 6 is a summary of military exchange systems audit followup activity.

### **Audit Policy And Oversight**

The OAIG-APO establishes and monitors the implementation of internal and contract audit policy within DoD. The office also has oversight responsibility for all DoD audit organizations.

### **Policy**

To improve DoD-wide guidance on audit standards, policies and procedures the OAIG-APO:

- Drafted and staffed DoD directive on contracting for audit services and on evaluating the work of non-federal auditors under defense contracts.
- Began work on sections of the DoD Internal Audit Manual, which is being developed to promote uniform auditing standards, policies and procedures. The manual gives a more consistent basis for improving and measuring the quality and effectiveness of DoD audit organizations. Initial chapters, developed with the DoD Internal Audit Policy Advisory Group, cover auditing standards, planning and programming, coordinating audit activities, reviewing internal control and accounting systems and establishing quality assurance programs.
- Published an audit policy memorandum on internal audit time reporting to set up a reporting system that will identify functional areas and types of audits where resources are expended; permit an evaluation of the adequacy of audit coverage devoted to the various

**TABLE 6. SUMMARY OF MILITARY EXCHANGE SYSTEMS AUDIT FOLLOWUP ACTIVITY<sup>1/</sup>  
6-Month Period Ending September 30, 1984**

	Reports	Findings	Recommendations	Monetary Benefits <sup>2/</sup> (\$ in millions)
Open beginning of period	78	1,085	2,712	\$3.2
Referred to Followup System	58	624	1,388	3.1
Closed During Period	68	765	1,865	3.4
Open End of Period	68	944	2,235	3.1

<sup>1</sup> Preliminary data.

<sup>2</sup> These figures reflect re-estimates of monetary benefits which are made as agreed-upon corrective actions are carried out and tracked to completion during audit followup.

functions, programs and activities throughout DoD; and provide information for updating audit universe files and planning future audit coverage.

- Sent a proposed change to the Federal Acquisition Regulations (FAR) to the Under Secretary of Defense for Research and Engineering to require contractors to implement and maintain a formal employee awareness program on fraud, waste and abuse.

- Reissued an updated Directory of Internal Audit Programs, which incorporated selected audit guides of other federal IGs and non-DoD organizations as they apply to DoD functions and programs. The directory should lead to improved audits and the elimination of unnecessary efforts in the preparation of audit guides for common or related functional areas.

### **Oversight**

- **Internal Audit.** OIG-APO issued five reports on the results of oversight reviews of internal audit organizations. Highlights of three of the reports follow.

- **Use of Technical Experts by the DoD Central Internal Audit Organizations (DoD-wide).** Technical experts can make greater contributions to audits

if they are used more extensively. The report recommended establishing policies on the use of technical experts, setting up reporting requirements to provide sufficient information on the availability of technical experts and examples of their effective use on audits, developing a plan for establishing a pool of technical experts for all DoD audit organizations and developing and maintaining a list of qualified consultants.

- **Training Plans and Programs for DoD Internal Audit and Internal Review Organizations (DoD-wide).** There were only limited coordination and cooperation in training among the DoD internal audit and internal review organizations. Formal on-the-job training programs for auditors need to be better integrated between classroom, rotational assignments and other developmental activities. More emphasis needs to be placed on training by top audit management officials. Other factors affecting training are a lack of acceptable training facilities, insufficient funding and possible over-reliance on non-DoD training sources.

- **Reporting of Results From Periodic and Continuous Audit (NAVAUDSVC).** The procedures and practices followed by NAVAUDSVC to report the results of periodic and continuous audits result in extensive reporting delays, fragmented reporting and

spending unnecessary time and effort to prepare audit reports. The report recommends revising reporting procedures to require the assurance of a single comprehensive audit report for each periodic and continuous audit, emphasize developing and staffing findings to higher command levels or those on which nonconcurrences are received, and establish a maximum time when a report is to be issued regardless of whether command replies have been received or all nonconcurrences resolved.

OAIG-APO continued to monitor the quality of audit reports issued by the DoD central internal audit organizations to determine their adherence to professional audit reporting standards. The office issued memoranda to AAA, AFSA and OAIG-AUD on the results of its reviews.

At the end of the reporting period, six oversight reviews were in process and four other projects were underway in support of the PCIE.

• **Contract Audit.** The office issued two reports on DCAA oversight reviews. One report is a survey of DCAA's reimbursable billing system for audit services given to other federal agencies. The survey indicates that the billing system is acceptable and that billings are adequately justified and supported. The other report covers a Hotline allegation about the overpricing of certain contracts. The review concludes that DCAA supervisory personnel failed to recognize and report cases of non-compliance with Cost Accounting Standards (CAS). The report recommended conducting training sessions

for personnel assigned to the applicable DCAA field office and requiring that future CAS noncompliance issues and draft reports be discussed or reviewed by the regional CAS monitor before their final disposition.

## GAO Report Analysis and Followup

For GAO reports, the objective is to ensure that DoD responses are fully staffed and timely, and that the DoD realizes the maximum possible benefits from GAO findings and recommendations.

The OIG, DoD provides clear guidance to DoD components and authorizes fully responsive and well-founded replies to GAO reports. OSD managers are responsible for taking clear positions on all reports and implementing agreed-to corrective actions and for placing special emphasis on GAO findings to focus attention on underlying problems. OSD managers must suggest alternative remedies in those cases where they agree with the GAO findings but disagree with the recommended corrective action.

Audit and investigative staffs are requested to follow up on GAO reports when there are implications of fraud or wrongdoing and when complete facts are unknown.

From April 1, 1984, through September 30, 1984, the DoD received 159 survey announcements, 43 draft reports and 138 final reports from the GAO. Followup action during the period on GAO reports is summarized in table 7.

**TABLE 7. SUMMARY OF GAO FOLLOWUP ACTIVITY**

REPORTS PROCESSED	Reports	Findings	Recommendations	Estimated Value <sup>1/</sup> (\$ in Millions)
<b>General Accounting Office</b>				
Open Beginning of Period	196	369	486	\$1,096.9
Referred to Followup System	180	190	189	1,647.6
Closed During Period	150	108	187	28.7
Open End of Period	226	451	488	1,073.9

<sup>1/</sup> Figures in this column reflect re-estimates of monetary benefits made as the agreed-upon corrective actions are carried out and are tracked to completion in the audit followup system. Previous reports listed monetary benefits to which the DoD did not concur as "open" items. To provide a more accurate portrayal of potential benefits, only agreed-upon items are reflected in this exhibit.

## CHAPTER 2 CONTRACT AUDIT

Contract audits of costs proposed or incurred by outside contractors are primarily made by DCAA for the Department. The CoE performs internal reviews within the Corps and audits contracts for civil works projects.

### Defense Contract Audit Agency

DCAA provides contract audit and financial advisory services to DoD components and helps DoD procurement activities achieve prudent contracting objectives. Their services also include participating in "should cost" studies and evaluating contractor estimating methods and procedures.

The OIG, DoD provides policy to the DCAA for audits on fraud, waste, abuse and program effectiveness and for contract audit followup.

Most of DCAA's reports are on incurred costs and forward pricing proposals. Generally, the agency reports audit exceptions as costs questioned. Incurred cost audits are a review of the actual direct and indirect costs charged to government contracts and government policies and procedures that influence and control such costs. Forward pricing audits are a review of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts and costs incurred but not yet covered by definitized contracts.

Table 8 is an analysis of contract audit reports issued by DCAA.

Table 9 contains the details of DCAA audit reports closed during the reporting period.

**TABLE 8. CONTRACT AUDIT REPORTS ISSUED  
DEFENSE CONTRACT AUDIT AGENCY**

Type of Audit	Reports Issued	Amount (\$ in Millions)		
		Examined	Questioned	Net Savings
Incurred Costs	15,788	\$ 24,029	\$ 676	\$ 316
Forward Pricing Proposals	15,176	151,789	13,559	4,251
Cost Accounting Standards	987	119	53	25
Defective Pricing <sup>1</sup>	775	—	523	28
Other <sup>2</sup>	274	—	—	—
Total	<u>33,000</u>	<u>\$175,937</u>	<u>\$14,811</u>	<u>\$4,620</u>

<sup>1</sup> Defective pricing dollars examined are not reported because they are considered a duplication of forward pricing dollars reported as examined.

<sup>2</sup> Includes effort related to contract audit coordination programs, GAO activity, special projects and studies and suspected irregular conduct cases.

**TABLE 9. CONTRACT AUDIT REPORTS CLOSED DURING THE PERIOD  
DEFENSE CONTRACT AUDIT AGENCY**

Type of Audit	Reports Closed	Amount (\$ in Millions)			
		Examined	Questioned	Net Savings <sup>1/</sup> Current	Prior
Incurring Costs	1,716	\$ 6,188	\$ 438	\$ 131	\$ 185
Forward Pricing Proposals	8,463	67,641	7,971	1,046	3,205
Cost Accounting Standards	53	56	62	8	17
Defective Pricing	184	—	76	—	28
Other	—	—	—	—	—
<b>Total</b>	<b>10,416</b>	<b>\$73,885</b>	<b>\$8,547</b>	<b>\$1,185</b>	<b>\$3,435</b>

<sup>1/</sup> Net savings includes savings resulting from unsupported costs and not included in questioned costs.

DCAA provides contract audit services on a reimbursable basis to other government agencies at contractor locations where DoD has a continuing audit interest or where it is more economical. Most of these services are done for the National Aeronautics and Space Administration (NASA). During the period, DCAA examined \$4.6 billion worth of NASA's program costs, questioned \$509 million and sustained \$79 million in questioned costs. Also during the period, DCAA completed 285 operational audits with total associated annual cost

avoidance recommendations of \$641 million. This sum is not included in tables 8 and 9.

### U.S. Army Corps of Engineers

Table 10 is an analysis of contract audit reports issued by CoE auditors, and table 11 provides details on the CoE audit reports closed during this reporting period.

This chapter highlights contract audits and contract audit followup.

**TABLE 10. CONTRACT AUDIT REPORTS ISSUED  
U.S. ARMY CORPS OF ENGINEERS**

Type of Audit	Reports Issued	Amount (\$ in Millions)	
		Examined	Questioned
Incurring Costs	106	\$ 87.6	\$ 6.5
Forward Pricing Proposals	112	205.4	76.9
Cost Accounting Standards	1	4.0	2.0
Defective Pricing	10	10.9	21.9
<b>Total</b>	<b>229</b>	<b>\$307.9</b>	<b>\$107.3</b>

**TABLE 11. CONTRACT AUDIT REPORTS CLOSED DURING THE PERIOD  
U.S. ARMY CORPS OF ENGINEERS**

Type of Audit	Amount (\$ in Millions)				
	Reports Closed	Examined	Questioned	Net Savings	
				Current	Prior
Incurring Costs	90	\$ 62.5	\$ 4.0	\$ 3.0	\$ .7
Forward Pricing Proposals	99	145.4	20.5	9.5	6.7
Defective Pricing	5	9.1			
Other	24	25.1	.1	.1	.1
Total	<u>218</u>	<u>\$242.1</u>	<u>\$24.6</u>	<u>\$12.6</u>	<u>\$7.5</u>

### Significant Contract Audits

The following is a summary of the more significant contract audit findings and recommendations prepared during this 6-month period.

#### Incurring Cost Audits

- **Tax Reduction Act Stock Ownership Plans.**

In reviewing a contractor's historical overhead, auditors disclosed that \$1.9 million in costs over a 2-year period were attributable to Tax Reduction Act Stock Ownership Plans. Under special provisions of the Internal Revenue Code, these payments reduce the contractor's tax liability and are not a cost to the company. The Corporate Administrative Contracting Officer upheld the auditor's position that the contractor had incurred no costs. The government's share of the overhead adjustment is \$1.3 million. (DCAA)

- **Accounting System Irregularities.** A contractor agreed to pay the government \$4 million for overcharges from improper accounting practices. These irregularities surfaced when a former division controller alleged that the company purposely modified its standard cost accounting system to shift certain commercial costs to negotiated government contracts. During an investigation, auditors provided extensive accounting counsel to the investigators. In addition to the \$4 million payment, the contractor also agreed to dismiss or transfer certain employees, restructure the accounting system, provide access to all financial reports, and

furnish the results of annual internal audits to the government. (DCAA)

- **Independent Research and Development.** An audit of a contractor's indirect costs for improving manufacturing technology resulted in savings of \$4 million to the government. The review disclosed that the contractor was charging overhead for manufacturing effort more properly associated with Independent Research and Development (IR&D) projects. Because the contractor exceeded IR&D ceilings, reclassification of these costs made the entire amount unallowable. (DCAA)

- **General and Administrative (G&A) Expenses.** An audit review of a corporate G&A cost pool resulted in a \$712,000 savings to the government. The audit revealed that the contractor had included a supplemental executive retirement plan in its G&A expense pool which the contractor allocated to the government. The supplemental retirement plan did not meet the Internal Revenue Code's deductibility requirement and was unallowable under the FAR. (DCAA)

#### Forward Pricing Proposal Audits

- **Various Issues.** An audit of a \$2.7 billion fixed-price incentive proposal resulted in a price reduction of \$226 million and net savings of \$126 million. The review disclosed that data used in estimating material costs were not current or accurate, escalation factors were outdated and did not reflect lower inflation projections; vari-



ious other add-on factors for material prices were either unsupported or overstated; estimates for purchased services or purchased labor were overestimated; and data processing costs were overestimated. (DCAA)

- **Antisubmarine Weapons System.** An audit of a \$297.3 million proposal for an antisubmarine electronic weapons system resulted in government savings of \$12.9 million. The auditor achieved significant reductions in material and subcontract costs by using current pricing history and anticipated vendor price reductions. The auditor also questioned the engineering grade levels which the contractor proposed at higher levels than those required by the contract. (DCAA)

- **Missile.** The audit review of a \$96.5 million fixed-price proposal for missile production realized a \$4.4 million government savings. The auditor found that the contractor had not included cost experience in the proposal for similar missiles now in production. The auditor recommended combining the components and operations common to both the current production and the proposed production of the missiles. (DCAA)

- **Spare Parts.** A review of a spare parts order resulted in a price reduction of \$833,000 and in projected annual savings of \$1.7 million over the life of the program. Auditors recommended the elimination of an intermediate supplier, saving the supplier's indirect costs and profits. Prices were reduced by 37 percent. (DCAA)

- **Composite Overhead Rates.** An audit of a \$3.5 million spare parts proposal effected net savings of \$608,000. The auditor took exception to the contractor's use of a composite overhead rate which did not consider the disparity of the rates of the three plants in the contract. Based upon the auditor's recommendation, the contractor revised the proposal to eliminate the inequity. (DCAA)

- **System Components.** An audit of a contractor's \$40 million fixed-price proposal for system components brought government savings of \$11.4 million. The auditor found that price analysis of subcontract costs, negotiations with vendors, competitive quotations and the impact of available residual inventory were not considered in the proposed material costs; the "make or buy" plan proposed by the contractor was not in the best interest of the government; labor rates were excessive, and warranty and other proposed contingency costs were not applicable or prior experience did not substantiate the proposed costs. (DCAA)

- **Spare Parts.** An examination of a \$19 million fixed-price proposal for spare parts resulted in net savings of approximately \$3.5 million. The audit showed that the contractor's proposed material cost was overstated by the addition of improper add-on factors. The auditors questioned significant portions of the proposal because the contractor proposed unreasonably high labor increases and unallowable selling costs which had been included in the proposed general and administrative costs. (DCAA)

- **Follow-on Production.** A review of a \$49 million proposal for follow-on production of 120 vehicles achieved government savings of \$6.5 million. The contractor proposed \$24 million for material costs, using the historical costs incurred on an existing contract for 54 vehicles. The auditor got current pricing data for the increased quantity, which resulted in a materials cost reduction of \$4.7 million. (DCAA)

- **Computer Equipment.** A contractor submitted a \$172.3 million fixed price proposal for computer equipment and proposed escalating the negotiated price for the computer hardware instead of using current cost experience and forecast data. The auditor found that the escalation for labor and material used by the contractor was excessive. Savings to the government from the audit recommendations exceed \$25 million. (DCAA)

- **Electronic Test Sets.** An audit of an \$86.8 million fixed price proposal for electronic test sets realized government savings of \$9.7 million. The auditors questioned a portion of the proposed warranty costs and material additive factors because they were based on irrelevant procurement actions. The auditors also found that proposed travel costs did not reflect available discount fares and that labor escalation rates were not indicative of current economic experience. (DCAA)

## Defective Pricing

- **Material Prices.** A postaward review of an \$844,000 fixed-price proposal resulted in savings of \$500,000 to the government. An audit revealed that the contractor had negotiated material prices which were lower than those proposed but had not disclosed this information during negotiations. (DCAA)

- **Contract Specifications.** Incorrect construction equipment payment rates for change order work were erroneously included in contract specifications. The incorrect construction equipment rates were substantial-

ly higher than the rates which should have been included. As a result, the government is contingently liable for \$1,270,542 in additional equipment cost since several modifications and claims are being processed for this contract, and the contractor is proposing the incorrect rates as shown in the specifications. (CoE)

## Contractor Operational Audits

- **Telecommunications System.** An operations audit of a major contractor's telecommunications system achieved annual government savings of \$2.2 million. The auditor demonstrated that an updated communications system would increase efficiency and capacity and reduce the contractor's leasing and operating costs. The contractor later began plans to implement the audit recommendations. (DCAA)

- **Electronic Data Processing Equipment.** A contractor's implementation of operations audit recommendations on electronic data processing equipment brought annual government savings of \$5.9 million. The auditors recommended replacing computer mainframe time share support with a mini-computer. The replacement resulted in cost savings, better response time and the ability to support classified programs. (DCAA)

- **Inventory Control System.** An operations audit of a major shipbuilder's inventory control system achieved annual government savings of \$1 million. The audit found that significant losses were being incurred for lost or damaged material. The auditor showed that the losses can be avoided by identifying the cause of the loss and implementing tighter inventory controls. (DCAA)

## Other

- **Equitable Adjustment Claim.** A contractor claimed \$3.2 million for government-owned ocean research vessel support facilities that were used for the contractor's normal operations and for programs negotiated before the claim was submitted. Accounting records also showed that the contractor charged facility usage allowances to industry and federal and state governments. The contractor later withdrew this portion of the claim. (DCAA)

- **Maintenance Claim.** An audit of a claim for \$14.3 million worth of deferred maintenance costs effected a government savings of \$7.9 million. The contractor contended that because the government required

accelerated delivery, certain maintenance was deferred. After reviewing existing projects, the auditor found that most of the claim represented capital improvement projects that should have been depreciated over several years. The contractor later reduced the claim. (DCAA)

## Contract Audit Followup

During the reporting period, OIG, DoD followup specialists reviewed over 650 contract audit reports which were unresolved, closed (dispositioned) or resolved but not closed. The objective was to ensure that proper procedures had been followed to resolve and dispose of report findings in a timely and prudent way. At several locations, OIG, DoD reviewers brought improper procedures to the attention of senior management officials, who issued policy to prevent future errors. OIG, DoD noted an increased awareness of contract audit followup policy at many locations because of management involvement.

Although the DoD components made progress in implementing improved reporting and contract audit followup systems, deficiencies still exist and have been brought to the attention of the senior managers. Table 12 summarizes the contract audit resolution effort, and table 13 gives details on resolved but undispositioned contract audit reports over 6 months old.

DoD components are reviewing their standards to identify any problems on the disposition of audits once resolution has been made and are developing milestones for achieving disposition. The OUSDR&E and the OIG, DoD will issue policy guidance after the review results have been analyzed.

The Military Departments and Defense Agencies closed 1,122 reports during this period. A total of 145 are open pending results of litigation. Another 68 divisional overhead reports are being held open until corporate rates have been negotiated.

In the coming months, the OIG, DoD will review those locations where little progress has been made or where problems continue to exist.

**TABLE 12. CONTRACT AUDIT RESOLUTION**  
**Status as of September 30, 1984**

Type of Report	Number of Reports by Component <sup>1/</sup>				Total
	Army	Navy	Air Force	DLA	
Unresolved, less than 6 months old	67	92	216	148	523 <sup>2</sup>
Unresolved, more than 6 months old	42	115	124	96	377 <sup>3</sup>

<sup>1</sup> Preliminary information.

<sup>2</sup> These reports involve \$675.3 million in questioned costs.

<sup>3</sup> These reports involve \$548.5 million in questioned costs.

**TABLE 13. RESOLVED BUT UNDISPOSITIONED CONTRACT AUDIT REPORTS**  
**OVER 6 MONTHS OLD**  
**As of September 30, 1984**

Type of Report	Number of Reports by Component <sup>1/</sup>				Total <sup>2/</sup>
	Army	Navy	Air Force	DLA	
Cost Accounting Standards	27	35	45	176	283
Defective Pricing	38	47	46	6	137
Incurred Costs	14	18	16	14	62
Indirect Cost Rates	5	49	69	147	270 <sup>3</sup>
Operations Audits Internal Control Reviews	2	13	3	27	45
Estimating and Accounting Systems Surveys	1	17	16	21	55
Claims Equitable Adjustments	29	5	8	1	43
Terminations	3	0	0	13	16
Price Redeterminations	0	15	5	0	20
<b>TOTAL</b>	<b>119</b>	<b>199</b>	<b>208</b>	<b>405</b>	<b>931</b>
<b>Total Costs Questioned (\$000)</b>	<b>\$72,700</b>	<b>\$485,905</b>	<b>\$482,492</b>	<b>\$341,391</b>	<b>\$1,382,488</b>

<sup>1</sup> Preliminary information.

<sup>2</sup> An additional 145 reports are in litigation with questioned costs of \$445,576,000.

<sup>3</sup> Includes 34 Air Force and 34 DLA division level reports being held open until corporate rates have been negotiated. These involve questioned costs of \$97.0 million.

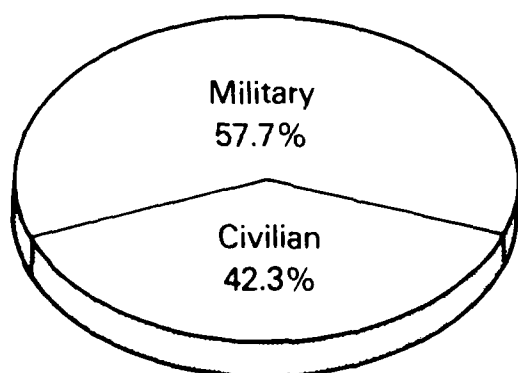
## CHAPTER 3 INVESTIGATION

There are four criminal investigative organizations in DoD: OIG-INV, also known as DCIS, the Army Criminal Investigation Command (CIDC), the Naval Investigative Service (NIS) and the Air Force Office of

Special Investigations (AFOSI). These investigative organizations inquire into allegations of serious criminal conduct or violations of DoD regulations. Their personnel strength and operating costs are shown in chart 3.

### CHART 3 INVESTIGATIVE ORGANIZATIONS

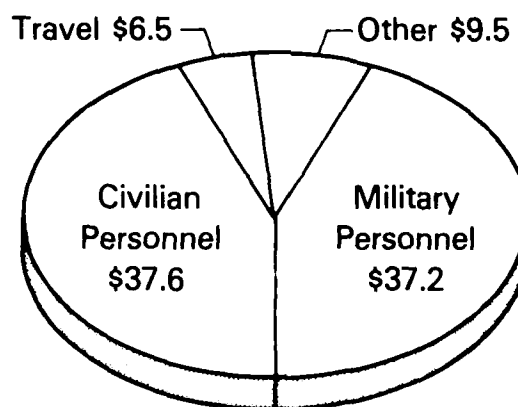
#### Personnel Strength



Total — 5,968

As of September 30, 1984

#### Operating Costs (\$ in Millions)



Total — \$90.8

The OIG-INV investigates white collar crime (e.g., procurement fraud) throughout DoD and, as a result of the Hotline, makes Departmental inquiries.

The service organizations investigate both white collar crime and such crimes as homicide, assault and drug trafficking. Two of the organizations are responsible for counterintelligence investigations. These agencies also provide protective services for key DoD personnel and foreign dignitaries.

Through the OIG for Criminal Investigations Policy and Oversight (CIPO), the OIG, DoD issues investigative policy directives for the DoD criminal investigative organizations. OIG-CIPO places special emphasis on policies and procedures that affect criminal prosecutions and timely civil and administrative remedies. Annually, the office schedules at least eight major oversight reviews of investigative procedures or policies which focus on the effectiveness of DoD investigative activities.

This chapter provides summary statistics and highlights of the criminal fraud investigative activities of the OAIG-INV, Military Departments and OAIG-CIPO

## Results of Criminal Investigative Activities

Table 14 analyzes the results of investigative activity for this period.

**TABLE 14. ANALYSIS OF THE RESULTS OF INVESTIGATIVE ACTIVITY**

<b>Case Inventory<sup>1</sup></b>		
Open cases - Beginning of Period		5,600
Opened this period <sup>2</sup>		9,475
Total		15,075
Cases Closed <sup>2</sup>		9,009
Open Cases End of Period		6,066
<b>Referred to Further Investigation</b>		
FBI		295
U.S. Federal Agencies		109
U.S. Local Agencies		7
Foreign Authorities		43
Total		454
<b>Referred for Prosecution or Administrative Action</b>		
DoJ		491
U.S. Local Authorities		7
Military Commands		2,383
Foreign Authorities		43
Total		2,924
<b>Results of Referrals for Prosecution</b>		
	DoJ	Command
Accepted	189	1,705
Declined	196	413
<b>Litigation Results</b>		
Indictments	119	N/A
Convictions	100	169
Other Action <sup>3</sup>	6	218
<b>Monetary Outcomes</b>		
Fines Penalties	\$1,052,228	\$ 585,889
Restitutions	117,462	92,147
Recoveries	10,407,177	6,091,920
<b>Administrative Actions</b>		
Debarments - Contractors		149
Suspensions - Contractors		75
Reprimands		187
Demotions		317
Terminations		211
Other <sup>4</sup>		383
No Action Taken		374
Total		1,696

<sup>1</sup> AFOSI reported an adjusted beginning balance which accounts for the difference of 69 cases between the beginning balance in this report and the closing balance of the prior report.

<sup>2</sup> CIDC has included in this reporting period 208 cases which were opened and 667 cases which were closed in the prior report period. These cases were not reported in the May 30, 1984 report.

<sup>3</sup> DoJ information reported in "other" includes civil court actions (punished dismissed acquitted), juvenile court cases and or action against civilians for which information was unavailable. Command information consists of Army and Navy Article 15 actions wherein punishment was leveled against the perpetrators.

<sup>4</sup> This category consists of administrative discharges instead of court martial, Article 32 board dismissal, reimbursement or restitutions, counseling, referral to rehabilitation programs or psychiatric treatment, bar to reenlistment, privileges revoked or suspended, placed on restriction, administrative board proceedings, Air Force Article 15 actions or others.

Table 15 summarizes the cases closed by functional area during the 6-month period ended on September 30, 1984. It also provides information on the number of

cases closed during the prior reporting period in each functional area.

**TABLE 15. CLOSED CASES BY FUNCTIONAL AREA  
DURING CURRENT REPORTING PERIOD**

	Investigations Completed	
	Current Period	Prior Period
Category:		
Pay and Allowances <sup>1/</sup>	1,003	1,092
Nonappropriated Fund Fraud <sup>2/</sup>	575	491
Procurement Program/Systems Fraud	443	327
Commissary Fraud	36	46
Property Disposal Programs/Systems Fraud	29	32
Bribery of Government Officials	85	70
Conflict of Interest	98	77
Damage/Wrongful Destruction/Arson	353	387
Government Theft (over \$1,000) <sup>3/</sup>	3,726	3,055
Antitrust Violations	1	1
CHAMPUS Fraud	34	55
Fraudulent Personnel Actions	148	514
Subsistence Fraud	2	2
Other <sup>4/</sup>	2,476	679
Total	<u>9,009</u>	<u>6,828</u>

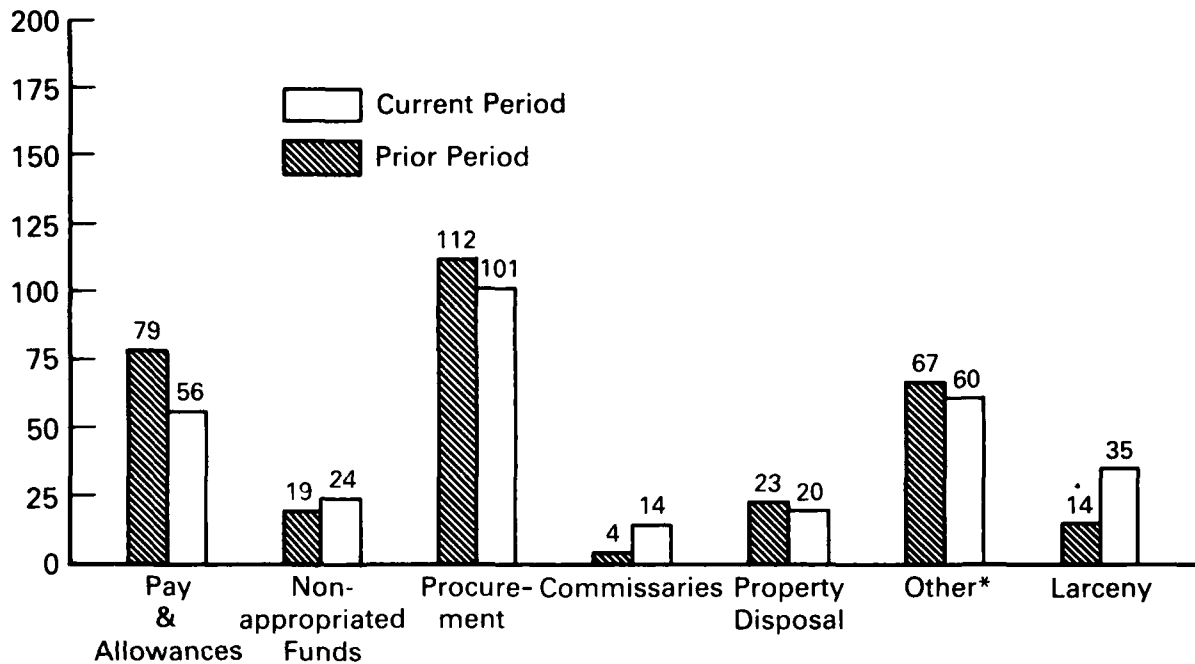
<sup>1/</sup> Includes travel/per diem fraud.

<sup>2/</sup> Includes military exchange stores and morale/welfare/recreation activities.

<sup>3/</sup> Includes larceny, theft or wrongful appropriation of government property, funds or services, whether by forgery, embezzlement, computer fraud, burglary, robbery or other means.

<sup>4/</sup> This category includes forgery, blackmarketing, smuggling, burglary, counterfeiting, dependency assistance, fraud-special inquiries, unauthorized services and government fraud under \$1,000.

**CHART 4. POTENTIAL FRAUD CASES REFERRED TO  
INVESTIGATIVE ORGANIZATIONS**



\* This category includes bribery, conflict of interest, forgery, counterfeiting, smuggling, blackmarketing, fraudulent personnel actions and false documents and statements.

### Referrals for Investigation

During the reporting period, the Department's auditors and inspectors referred 195 and 115 cases, respec-

tively, to investigative activities. Chart 4 shows, by functional area of potential fraud, the number of cases referred to investigative organizations during the reporting period and those referred during the prior period.

## OAIG-INV

The following statistics highlight the results and accomplishments of OAIG-INV during this period.

- There were 190 cases opened and 145 closed. The number of cases pending rose from 483 to 528, an increase of 9 percent. The current case inventory is changing to one of higher dollar loss and more sophisticated methods of commission.
- Case referrals to other investigative agencies decreased from the 49 reported during the previous period to 29 reported for this period. The drop in referrals is one result of the increase in special agent personnel. The remaining referrals represent matters which fall within the jurisdiction of other agencies and those instances where OAIG-INV had insufficient resources.
- Indictments filed against individuals or firms totalled 43. Thirty-nine of the indictments reported were for significant frauds.
- Convictions of persons or firms totalled 31. Twenty-nine of the convictions reported were for significant frauds.
- Fines, penalties, restitutions and recoveries totalled about \$2.0 million.

### Synopses of Significant OAIG-INV Cases of Fraud, Potential Fraud or Potential Fraud Referred to Civilian Prosecutive Agencies

• **Materials Substitution.** A competitor's complaint started an investigation which disclosed that a food service equipment company, which sold appliances and replacement parts for military dining halls and kitchens around the world, provided products that did not meet contract requirements. A technical review of the contractor's products confirmed the allegations. The company, its president and its quality control manager were charged with 13 counts of mail fraud, 21 counts of submitting false claims and one count of conspiracy to defraud the government. A trial date has not been set. The contractor and company officials have been suspended from doing business with DoD. (OAIG-INV)

• **False Claims.** An internal review at a major defense procurement facility showed that under a

government contract a chemical company was paid about \$375,000 for material which was never delivered. A later investigation found that the company's former president diverted about \$120,000 in payments from the government, using fraudulent vouchers for products which were never shipped. The investigation resulted in a 15-count federal grand jury indictment against the former president on charges of false claims against the government. The present company management cooperated in the investigation. No trial date has been set. (OAIG-INV)

• **False Claims.** A DoD contractor was awarded a contract to remove contaminated materials to an EPA-approved facility. Instead, the contractor disposed of the material in a manner that was contrary to the contractual agreement, and resulted in an undeclared \$30,000 savings to the company. The company owner made false claims to DoD by claiming compensation of \$90,080 for full contract performance. A two-count federal grand jury indictment charged the owner with submitting false claims. The company has been suspended from doing business with DoD. A trial is pending. (OAIG-INV)

• **Cost and Labor Mischarging.** An audit by DCAA showed possible fraud of about \$1.5 million in overcharges to the government by a computer software firm. The contractor allegedly mischarged costs to the government by allocating direct labor to overhead, charging personal expenses to overhead, changing time sheets and falsifying billings. The DCIS investigation was coordinated with the Inspectors General of the Small Business Administration and the Department of Health and Human Services (DoHHS) because of the contractor's status as a small corporation and a minority enterprise doing business with DoD and DoHHS. A federal grand jury indicted the defendant corporation on 48 counts of making false statements on labor and other costs and six counts of mail fraud. The corporate president was also charged in all counts of the indictment and his wife, as assistant treasurer, was named and charged in 26 counts. Following their trial in a federal court, the corporation and its president were found guilty on one count of false claims, eight counts of false statements and two counts of mail fraud. The assistant treasurer was found guilty on two counts of false statements. The corporation was fined \$65,000 and its president was sentenced to 1 year in prison and 3 years' probation, including community service work. All but 30 days of the prison time was suspended. The assistant treasurer was sentenced to 2 years' probation. The corporation and its principal officers had been suspended from doing business with the government in November 1983. (OAIG-INV)



• **Product Substitution.** An investigation began in 1982 after a former DoD contractor's employee alleged that the firm delivered reworked salvage items to DoD instead of newly manufactured goods. The contract called for new parts that were valued at \$79,265 to make disk and motor assemblies used in navigational devices. Navy testing confirmed that defective material was being used in the motors. The corporation president signed a plea agreement on behalf of the corporation and gave information on a collateral investigation in another jurisdiction. In return, the government agreed not to indict the president or the corporation in other matters. The corporation waived indictment and pleaded guilty in federal court to a one-count criminal information which charged the company with making a false claim to the government. The corporation was fined \$1,000 as a result of the guilty plea to the single felony charge. Debarment proceedings were initiated against the corporation and its president. (OAIG-INV)

• **Bribery and Bid Irregularities.** A OAIG-INV investigation was started after a DoD Hotline Complaint alleged that a materials supplier gave about \$20,000 in bribes or kickbacks to a materials buyer employed at a DoD procurement activity. The buyer admitted accepting \$6,900 in bribe money from a California corporation and gave details of a scheme that involved the disclosure of confidential bid information to contractors in return for money. The bid information allowed certain contractors to have an advantage in bidding for and receiving government contracts. The DoD employee was indicted on 14 counts of receiving bribes and one count of conspiracy. The investigation found that the president and principal owner of the California corporation had paid at least \$16,200 to another DoD contracting official and to other DoD buyers for bid information on DoD contracts sent by competitors to supply aircraft hardware and other parts and materials to DoD. The president of the California corporation was convicted on 10 counts of bribery of public officials and nine counts of mail fraud. He was sentenced to 4 years in prison on two of the 19 counts and 3 years' probation on the remaining counts. He was also fined \$208,000, and his corporation was fined \$159,000. Other DoD buyers who accepted bribes from this corporation were also found to have received bribes from contractors in return for disclosing bid information. The FBI and OAIG-INV expanded their investigation to examine the actions of other DoD buyers and procurement contracting officials. Their action resulted in a variety of sanctions, such as job terminations, contractor suspension and debarment actions and the indict-

ment and conviction of several DoD officials, contractors and corporate officials. Other examples of bribery and bid irregularities at a major DoD procurement contracting activity follow.

- The part owner and sales manager of a company selling spare parts under various government contracts was indicted by a federal grand jury for bribery of a public official, conspiracy and subornation of perjury. His company was debarred from contracting with the government as a result of the conviction of former government procurement officials to whom the company paid bribes for confidential bid information, which enabled the firm to underbid competitors for government contracts. In addition to one count of conspiracy and 20 counts of alleged bribes to buyers and procurement officers, the defendant was charged with inducing one of the government buyers to perjure himself before a federal grand jury that was investigating the irregularities. The defendant, if convicted on all counts, could receive maximum penalties of up to 310 years' imprisonment and fines of \$412,000. The corporation faces fines of up to \$410,000. Other contractor corporations and procurement officials have previously been indicted and convicted or are still under investigation by the FBI and OAIG-INV. The defendants have been suspended or debarred from contracting with DoD.

- A former government contracting officer pleaded guilty to a criminal information charging him with accepting bribes of \$500 to \$2,000 from a company selling spare parts under contracts with the government. He admitted that, in return for money, he disclosed confidential pricing information which allowed the company to underbid its competitors. He was sentenced to serve 1 year in prison with 6 months of the sentence suspended and 2 years of probation. The defendant resigned from government service and debarment from doing business with the government has been proposed.

- A government procurement analyst was indicted for accepting bribes of about \$85,000 from 1979 through 1982. The bribes were allegedly paid by a company that sold wire and cable to DoD. In return for the money, the defendant allegedly disclosed confidential pricing information on competitors, which enabled the company to underbid its competition and to get DoD contracts. If convicted on all counts, the defendant could receive a sentence of up to 15 years' imprisonment and fines of up to \$20,000. Suspension and debarment proceedings are being taken against the company and its corporate officials.

- The president of a company that sells wire and cable to DoD was named in three counts of a criminal information charging him with conspiracy and bribery of a public official. The defendant allegedly paid \$400 a month from November 1977 to October 1979 to government buyers at a DoD procurement activity in return for confidential pricing information which enabled his company to underbid his competitors for contract awards. If convicted, the defendant could receive maximum penalties of 35 years' imprisonment and \$50,000 in fines. The defendant is awaiting trial. (OAIG-INV)

### **Military Department Investigative Organizations**

The following statistics highlight the results and accomplishments of the Military Department's criminal investigative organizations.

- There were 9,285 cases opened and 8,864 closed during this period. The number of cases pending rose from 5,048 to 5,538 for an increase of 9 percent.
- Case referrals to other investigative agencies decreased from the 522 reported during the previous period to the 425 reported for this period. The referrals represent matters that fell within the jurisdiction of other agencies.
- Indictments of charges filed against individuals or firms totalled 76 for the current reporting period.
- Convictions of persons or firms increased from the 200 reported for the previous period to the 238 reported for the current period.
- Fines, penalties, restitutions and recoveries for the current reporting period totalled about \$16.4 million. This compares with the \$4.6 million reported for the previous period.

### **Synopses of Significant Cases of Fraud, Potential Fraud or Potential Fraud Referred to Civilian Prosecutive Agencies**

• **Theft of Government Property.** An investigation into the loss of 233 fragmentation ("flak") vests valued at \$41,323.96 from an Army installation was referred to the FBI and resulted in the ultimate recovery of the property, which was traced to the owners of a surplus store in a nearby civilian community. An Army sergeant allegedly stole the flak vests and transferred them to five civilians, who tried to sell them to a government informant, and ultimately sold them to the surplus store. The investigation also determined that the Army sergeant and 5 civilian accomplices broke into 4 Army warehouses on several occasions, and stole various items of field equipment valued at \$232,771 which was subsequently sold to the surplus store owners. Results of prosecution by DoJ have not been received. (CIDC)

• **Price Fixing.** An investigation directed by DoJ's Antitrust Division, and assisted by the CIDC disclosed that between December 1978 and July 1983, several moving and storage firms engaged in the transportation and storage of military household goods allegedly conspired to fix, raise, maintain and establish the rates charged for nontemporary storage services to personnel of a major Army installation. Through the scheme, the firms allegedly defrauded the government of approximately \$160,000. Five of the firms and four of their representatives were indicted by a federal grand jury on charges of mail fraud, false official statements, and violation of the Sherman Antitrust Act. Two of the firms and one individual were found guilty and paid fines totalling \$150,000. Three of the firms and two individuals were acquitted. Further court action is pending. (CIDC)

• **Bribery, Extortion and Contract Fraud.** An investigation resulting from an internal audit revealed multimillion dollar cost overruns when a major Navy command moved from one office complex to another. The investigation also showed illegal activities in service and materiel procurement by contractors and by a Navy project manager. The project manager entered a guilty plea to extorting cash, labor and supplies for himself from private contractors. He conceded that he received \$315,000 from his illegal activities, which included soliciting and accepting bribes. He agreed to forfeit this amount by deeding his residence—built with government labor and materials—to the government. Four contractor management-level employees and three Navy contracting firms entered guilty pleas to charges which included extortion, bribery, false claims, theft, bid-rigging, tax evasion and conspiracy. (NIS)

• **Embezzlement.** Former employees of a Navy contracting office allegedly conspired with an electrical supply company salesman to generate false invoices on government contracts to drain money from the company of the property, which was traced to the owners of a surplus store in a nearby civilian community. An Army sergeant allegedly stole the flak vests and transferred them to five civilians, who tried to sell them to a government informant, and ultimately sold them to the surplus store. The investigation also determined that the Army sergeant and 5 civilian accomplices broke into 4 Army warehouses on several occasions, and stole various items of field equipment valued at \$232,771 which was subsequently sold to the surplus store owners. Results of prosecution by DoJ have not been received. (CIDC)

• **Embezzlement.** Former employees of a Navy contracting office allegedly conspired with an electrical supply company salesman to generate false invoices on government contracts to drain money from the company

ny's petty cash fund. The defendants pleaded guilty to submitting the artificial invoices. Two of the defendants were sentenced to 2 years' probation and ordered to make restitutions totalling \$27,410. Another defendant was placed on probation for 2 years and ordered to make restitution of \$1,581.77. The salesman for the electrical supply company was sentenced to an 18-month confinement, plus 2 years' probation, and ordered to make restitution of \$5,700. (NIS)

- **Embezzlement.** An audit uncovered an embezzlement scheme involving defense contractor shipyard employees who allegedly submitted false invoices through the petty cash account. The audit documented a loss of about \$3.2 million over the last 10 years as a result of the scheme. During the last 3 years, \$1 million worth of the embezzled funds consisted of government payments based on fictitious invoices on Navy contracts. The shipyard management cooperated fully in the investigation, which found that a shipyard vice president may have received kickbacks from vendors and that one vendor had double-billed the shipyard for about \$350,000. A federal grand jury indicted two shipyard employees and four employees of the vendor firms on charges of conspiracy and false claims. Six defendants agreed to plead guilty to the charges. State courts charged five other shipyard employees with theft. A trial date has not been set. (NIS)

- **Bribery.** A joint investigation by the DoD and the FBI resulted in a federal grand jury's returning a 14-count indictment against two DoD prime contractor employees who solicited and received \$55,000 in bribes. The bribes were allegedly paid by a subcontractor to allow the company to give the lowest bid to the prime contractor. The indictment included one count of interstate travel in aid of racketeering and bribery-related charges. A trial date has not been set. (NIS)

- **Product Substitution and Subspecification Materials.** A GAO Hotline complaint led to an investigation of a company that, since 1981, had been selling nonspecification metal products to the government, mainly under Navy contracts, and to other DoD prime contractors. A joint investigation by DoD and the FBI confirmed allegations that inferior grade and cheaper metals were substituted or falsely marked to pass for the contract specification items. The estimated loss on Navy contracts for FY 1982 was \$457,000. Safety alerts were issued through logistics systems to identify and trace 457 line items from the contractor. Many of the subspecification products were detected by inspection and testing at supply distribution points. But, in one instance,

\$19,000 worth of inferior materials had to be removed from a Navy ship at a cost of \$138,000. The former sales and quality control managers of the company were charged in 32 counts of an April 1984 indictment for false statements, mail fraud and conspiracy to defraud the government. Each pleaded guilty to five counts and was sentenced to 10 years' imprisonment. The company was suspended from doing business with the government. (NIS)

- **Labor Mischarging.** A former employee of a DoD contractor reported that the company used improper accounting procedures to defraud the government. Company employees were allegedly directed to hide costs by mischarging time to the bid and proposal costs, capital equipment, warranty and overhead categories. Most of the charges were transferred from direct to indirect accounts or from fixed-price to cost-plus contracts. The company pleaded guilty to two counts of false claims and three counts of false statements involving employee timecards. The corporation agreed to pay fines, restitution and civil penalties of \$450,000 if the corporate officers were not tried on criminal charges. The Air Force and DCAA are working with DoJ to settle a civil fraud suit to recover up to \$2 million from the contractor. (AFOSI)

- **Cost Mischarging.** Under a defense contract, a second-tier subcontractor sent claims to the prime contractor in excess of incurred costs on the production and installation of electronic cable. The first-tier subcontractor discovered the excess monies, credited or repaid the DoD contracting agency and reported the suspected fraud to the FBI. The investigation, which was transferred to the Defense Procurement Fraud Unit, resulted in an indictment by a federal grand jury against the second-tier subcontractor. The defendant entered a corporate plea of guilty to two counts of fraud against the government and paid \$11,000 in fines. The defendant corporation also entered into a civil agreement to repay \$180,000 for labor overcharges. (AFOSI)

- **False Claims.** A DCAA audit showed possible false claims by a defense contractor for repairs to jet engine turbine blades. An investigative task force directed by a federal grand jury established \$4 million in overcharges to the government. In an out-of-court settlement, the corporation agreed to repay \$4 million to compensate for the improperly billed overcharges. Two of the corporation's top officials were either fired or resigned and a third employee was transferred. The corporation agreed to restructure its internal accounting controls and auditing procedures, conduct annual in-

ternal audits and certify the results to the government. (AFOSI)

• **Product Substitution and Defective Materials.** The AFOSI initiated an investigation in 1981 after an aircraft parts supplier employee alleged that the company was providing defective parts for a variety of Air Force aircraft, particularly B-52 bombers. The contractor was allegedly circumventing government inspection procedures by shipping parts directly to air logistics centers, substituting defective parts for previously inspected parts and altering inspection reports. The FBI, assisted by the AFOSI and Air Force Safety and Inspection Center, found potential structural and performance safety hazards in various aircraft. Federal grand jury indictments were returned against the contractor, its president and vice president. The officers pleaded guilty to charges of defrauding the government by deliberately supplying defective bolts and other parts since 1980 at a cost of over \$300,000. They were sentenced to prison terms of 3 years and 2 years, respectively, and the corporation was fined \$10,000. The corporation entered into negotiations with the DoJ concerning payment of fines and restitution instead of civil action for recovery by the government. The Air Force began suspension and debarment action against the corporation and its convicted officers. Civil action to recover \$315,000 in losses is under consideration. (AFOSI)

• **Embezzlement.** An Accounting and Finance Office of a U.S. Air Force base uncovered discrepancies indicating a possible embezzlement of about \$80,000 in government funds. A joint investigation by the AFOSI and the FBI found that four employees and an active duty noncommissioned officer conspired to steal funds by inflating amounts paid on travel vouchers. The scheme involved a fifth employee who altered travel orders and processed fraudulent vouchers for payments to the four accomplices. The four accomplices admitted their role in the embezzlement scheme. Investigators recovered cash and cashier checks amounting to \$30,000 and seized a \$22,000 automobile purchased with embezzled funds. The employee who processed the fraudulent payments pleaded guilty and was sentenced to 2-1/2 years in prison plus 5 years' probation and ordered to make restitution of \$34,600. Two of the accomplices also pleaded guilty. The noncommissioned officer was sentenced to 5 months in prison, with 5 years' probation, and was ordered to make restitution of \$5,000. Another accomplice was sentenced to 5 years' probation and ordered to pay restitution of \$4,040. The disposition of the case against the other accomplice is pending. (AFOSI)

## Synopses of Significant Cases of Losses Referred to Military Commands

• **Forgery of Supply Documents.** An investigation concerning irregularities in accounting for supply items at an overseas military installation determined that a noncommissioned officer solicited another enlisted man to help him prepare 25 fraudulent DoD Single Item Release/Receipt Documents to fraudulently indicate that over \$46,000 in unaccounted for Government property had been turned in. The noncommissioned officer allegedly forged the signatures of those receiving the property and stamped the forms with a fraudulent clearance stamp. His assertion that the former unit commander had instructed him to fraudulently cover the property shortages could not be substantiated. The noncommissioned officer was referred to the military commander for action, resulting in a reduction in grade from staff sergeant (E-6) to sergeant (E-5). His accomplice was reduced in grade from specialist (E-4) to specialist (E-3) and subjected to forfeiture of \$100 per month in pay for two months. (CIDG)

• **Malicious Damage.** A fire at a U.S. naval station in a foreign country caused damages of \$1,296,000 to a C-118 cargo aircraft. An investigation found evidence that a Navy enlisted service member caused the fire. The suspect was convicted of arson by a general court martial and sentenced to 7 years' imprisonment and reduced to pay grade E-1. The member also forfeited \$450 per month and received a dishonorable discharge. (NIS)

## Significant Accomplishments of the OAIG-CIPO

During the reporting period, the OAIG-CIPO:

- Issued a final report which analyzed the suspension and debarment procedures of the Military Departments and DLA. The report examined the support provided by military investigative organizations to the suspension and debarment process and the actions of the primary DoD suspension/debarment authorities on major procurement fraud cases during the period from March 1981 to March 1983. The report also made recommendations regarding improvements that were needed to coordinate the actions of the military investigative organizations and

the suspension/debarment authorities. The Military Departments and DLA accepted the report's recommendations, and took action to implement the improvements.

- Negotiated a new Memorandum of Understanding (MOU) between the DoD and DoJ, on behalf of the IG, DoD and with the Office of the General Counsel, DoD. The MOU gives DoD an increased role in the investigation of procurement fraud cases against the Department. DoD's guidelines for implementing the new MOU are now being drafted.
- Issued a draft report which reviewed the DoD criminal investigative organizations' proactive efforts to disclose and interdict criminal activity, particularly fraud, corruption and economic crimes. The review focused on the procedures and techniques used, costs, extent of use, management and administration, and effectiveness. The OIG, DoD will issue policy guidance on proactive investigative efforts based, in part, on data from this review.
- Completed an oversight project, soon to be published in a report, on the desirability of military law enforcement participation in the computerized criminal history record system being maintained by the National Crime Information Center. The project examined the propriety, feasibility and necessity for more complete military law enforcement participation in this phase of the center's system.
- Began an oversight review of investigative needs and support for the CoE. The review focuses on CoE's internal procedures for referring allegations of criminal activity on CoE programs or personnel and the role of CoE's office of security and law enforcement with its related activities.
- Made site visits to the Pacific and European theaters to learn the level of investigative activity now being focused on contract and procurement fraud, to assess the potential for fraud in DoD activities in both theaters and to determine whether it is desirable or possible to establish a permanent OIG, DoD presence overseas. The results of the visits are now being analyzed for use in making the decision and in future policy statements.

- Continued their efforts to improve prevention, detection and resolution of DoD fraud cases. To this end, OAIG-CIPO has:

- Given a 5-day DoD Contract and Procurement Fraud Course in Denver, CO, Seattle, WA, Norfolk, VA, Dayton, OH, and Washington, DC. The courses trained about 180 DoD investigators, auditors and FBI agents.
- Conducted a 1-day seminar on Contract and Procurement Fraud for procurement personnel and program managers 43 times in 35 locations. The seminar has now been attended by about 2,500 people from the Army, Navy, Air Force, OSD components and DLA.

Issued a booklet entitled "Indicators of Fraud in DoD Procurement." To date, 45,000 copies of the handbook have been distributed throughout DoD and other federal agencies.

- Began a project with the PCIE Prevention Committee to develop training materials for fraud awareness presentations to employees of contractors engaged in procurement activities with federal agencies.
- Wrote and distributed issues of the DoD Integrity Panel Fraud Awareness Letter on "Bribery and Gratuities" and "Fraud in the Contract Award Process."

- Issued a Criminal Investigations Policy Memorandum that requires investigators to ensure that prosecutive declinations by DoJ are memorialized to encourage when appropriate other criminal, civil, contractual or administrative remedies. The office issued two other draft Criminal Investigative Policy Memoranda on requesting, serving and executing search warrants and criminal investigative activities that are not restricted by the Posse Comitatus Act.
- Issued drafts of two DoD Directives and a DoD Instruction for comment by affected DoD components. One of the directives establishes a process to ensure a coordinated approach to remedies in cases of procurement fraud and corruption. The other directive involved the Crimi-

nal Investigations Policy Handbook. The DoD Instruction delineates investigative responsibilities among DoD criminal investigative organizations for fraud and nonfraud offenses.

- Served as the coordination point for the approval and issuance of 24 administrative subpoenas on ongoing audits and investigations, bringing the total of subpoenas approved and issued by the IG, DoD to 47.

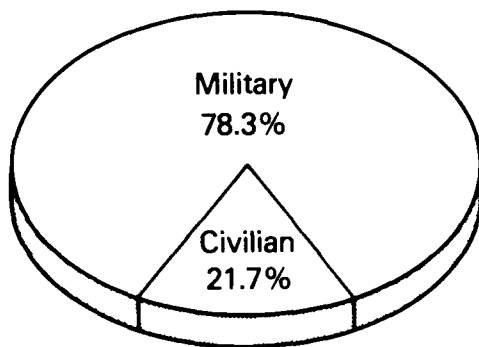
## CHAPTER 4 INSPECTION

The inspection efforts of the IG, DoD, the Military Services and five defense agencies continue to show growth. Chart 5 has the personnel resources and oper-

ating costs for these organizations, and table 16 provides statistics on the number of reports they issued.

### CHART 5 INSPECTION ORGANIZATIONS

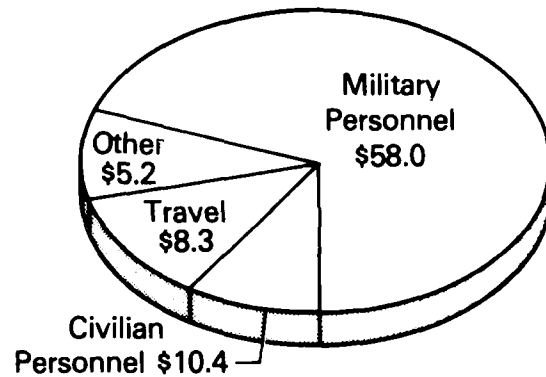
#### Personnel Strength



Total — 3,721

As of September 30, 1984

#### Operating Costs (\$ in Millions)



Total — \$81.9



**TABLE 16. NUMBER OF INSPECTION REPORTS ISSUED  
BY IG ORGANIZATIONS**

IG Organizations	Inspection Reports Issued <sup>1/</sup>				Prior Period Total
	General	Current Period Special	Other	Total	
OIG, DoD, OAIG-INS	56	140	0	196	200
Army	1,297	270	1,597	3,164	3,656
Navy	392	20	121	533	524
Marine Corps	86	1	0	87	98
Air Force	626	74	91	791	739
Defense Intelligence Agency	10	2	5	17	23
Defense Investigative Service	2	0	0	2	2
Defense Mapping Agency	16	0	0	16	9
Defense Nuclear Agency	1	0	0	1	0
National Security Agency	15	5	0	20	24
<b>Total</b>	<b>2,501</b>	<b>512</b>	<b>1,814</b>	<b>4,827</b>	<b>5,275</b>
<b>Percent of Total</b>	<b>52</b>	<b>10</b>	<b>38</b>	<b>100</b>	

<sup>1/</sup>The disparity in the number of reports issued results from differences in the method of performance and the scope of inspection. The Army prepares a separate report for each unit inspected whereas an Air Force inspection report typically covers a base or wing and includes a number of units. The Navy does not have a single organization with total responsibility for inspection.



## **Office of the Assistant Inspector General for Inspections (OAIG-INS)**

The OAIG-INS conducts operational and compliance-type reviews and inspections. The office also has a special inquiry capability that allows for quick reaction to allegations of waste, abuse or mismanagement which do not necessarily constitute criminal activity. Many of these inquiries are received over the Defense Hotline or from OSD.

During a recent study about 45 DoD activities were identified for inspection coverage. The remaining activities will be inspected in FY 1985 through FY 1987.

For the period ended on September 30, 1984, 196 reports were issued, as noted in table 16.

## **Significant Inspection/Special Inquiry Findings**

- **DoD Dependent Schools.** The OIG, DoD completed its first inspection of the DoD Dependent Schools. As a result, followup inspections are to be made of student eligibility, the school lunch program and special education programs.

- **Combat Rations.** The Report of Inspection of the Navy Supply Depot Guam reflects a potential loss of \$38,400 worth of combat rations because of storage life expiration. Presently, there is no governing directive for combat rations' rotation in the Navy inventory. Inspectors observed that since combat rations are stored at Navy activities worldwide, conditions exist for a possible million dollar loss. The Navy concurred in the observation and is now developing policy and procedures to ensure that operational combat rations are rotated.

- **Government Bills of Lading.** The General Services Administration responded to an OIG, DoD report, written during an inspection of the Mechanicsburg (PA) Depot, which recommends that Government Bills of Lading (GBLs) under \$200 be routinely audited. In the past, GBLs have neither been audited routinely nor checked for quality or performance. At the inspected depot, the approximate value of GBLs under \$200 each is \$2.3 million.

- **Special Inquiries.** During the reporting period, 166 cases were opened. About 15 percent of these originated as a result of congressional requests, 36 per-

cent from the DoD Hotline and the balance from the public or from the Department.

## **Military Service and Defense Agency Inspection Organizations**

The Military Service IG organizations provide capability for inspections of operational economy and effectiveness and readiness and morale. The Defense Agency inspection organizations perform operational inspections. Potential criminal matters, which may be discovered through inspection activity, are referred to the appropriate investigative organizations for action.

Personnel and operating costs for these organizations are included in chart 5.

During the reporting period ended on September 30, 1984, the inspection organizations issued 4,631 reports. A statistical summary of these reports is in table 16.

## **Significant Inspection Findings.**

- **Supply Service.** Army inspectors found that excessive equipment downtime was being experienced because high priority requisitions were not being monitored. Additionally, open requisition reconciliations were not being made by the maintenance division and the supply support activity. The inspectors recommended that reconciliations be made to ensure that all requisitions are followed up. (AIG)

- **Ration Accountability.** Army inspectors found that at one installation 20 percent more rations were being used than could be accounted for. The inspectors recommended that education programs be initiated for supervisory and dining facility personnel. These programs would provide information on proper accountability procedures and on the documentation required to control rations. (AIG)

- **Mobilization Readiness.** Inspectors found that a Navy command was not effectively monitoring the status, progress and mobilization readiness of supported Reserve programs and units. The command had no knowledge of which units were mobilization ready or whether readiness deficiencies were the result of manning or training problems. The inspectors recommended that the command establish a monitoring system to track status, progress and mobilization readiness of Naval Reserve programs and units. As a result, the standards of readiness are being revised to permit a more realistic

system of defining the readiness of all Navy Reserve units. (NIG)

• **Supply Retention and Excess Disposal Program.** Air Force inspectors found that existing Air Force guidance for determining and disposing of excess property increased the potential for fraud and resulted in the loss of usable parts and equipment. Property had been declared excess and disposed of even though Air Force requirements for the items existed. For example, spare parts for active weapon systems were declared excess and disposed of while the system was still in use. Additionally, computerized excess reviews resulted in automatic transfers of excesses to the Defense Property Disposal Office unless item managers stopped the process. Estimates of the true loss or the potential savings to the Air Force were unavailable. Of the several hundred million dollars worth of property disposed of annually, most will never again meet future Air Force requirements. The value of usable property is significant enough to warrant a revision of Air Force procedures.

Inspectors recommended that the disposal system be changed to retain usable active weapon systems assets for the life of the systems and to implement procedures that require personal review of disposal actions by item managers, thus eliminating the practice of automatic computer review and disposal. Senior Air Force managers concurred with the recommendations. The Secretary of the Air Force extended the Air Force-wide freeze on disposal actions until changes to the retention and disposal policies and procedures are implemented. (AFIG)

• **Base-Level Parts Repair.** Air Force inspectors found that parts which could be repaired at base level were being disposed of as unserviceable. An incompatibility existed between the repair coding and technical data for separable parts which increased the potential for fraud and decreased the number of parts returned to serviceable base stocks. Faulty and incomplete technical data contributed to the problem. For example, at one base, a filter designed to be removed, cleaned and replaced at base level was instead sent to disposal in unserviceable condition. This filter could be purchased from disposal, cleaned (reconditioned) and resold to the Air Force by a parts vendor. An exact estimate of parts and dollars lost could not be validated. However, the potential for savings is considered significant since, annually, each major Air Force base transfers over a million dollars worth of unserviceable supply items to disposal.

Inspectors recommended that the Air Force direct a comprehensive review to ensure there is compatibility between repair coding and technical data. Senior Air Force leaders concurred and directed their major commands to review repair coding and technical data so reparable items are not sent to disposal. (AFIG)

• **Procurement Program Management and Production Contract Administration.** Air Force inspectors found inadequate program management and production contract administration for a security sensor. In 1977, \$3.0 million was provided for the manufacture of several hundred sensor units. To date, more than \$5.2 million has been spent for production, including spare parts, engineering changes and claims by the contractor. Yet the sensors neither function effectively nor do they meet the needs of major commands. Many of the units have been tested and, of these, nearly all have defects. The current cost projection for repair of the sensors is \$800,000.

Inspectors recommended that procurement activity and contract administrators give adequate surveillance and management attention to contractor performance. Air Force managers concurred in the recommendation. The potential monetary impact is \$3.0 million plus extensive unquantified man-hour costs. (AFIG)

• **Aircraft Recorder Components.** Air Force inspectors found that 43 aircraft recorder components, valued at \$433,805, were sent to a contractor in 1982 for reliability testing. The units remained in storage at the contractor's facility 1 year after the contractor had completed his study. The item manager arranged for shipment of the components to the contractor but failed to arrange for their return. The contractor willingly stored this equipment, while continuing to deliver new production line units to the Air Force.

The inspectors recommended that the Item Management Division develop controls to assure the accountability of government assets shipped to contractors for testing purposes. They also recommended that the depot reevaluate purchase requests for additional units to ensure that the items to be purchased are not already available within the Air Force. (AFIG)

## CHAPTER 5

### PREVENTION EFFORTS, MANAGEMENT IMPROVEMENTS AND RELATED ACTIVITIES

In addition to detecting problems in the Department's operations, the OIG is responsible for taking actions to prevent fraud, waste and mismanagement and to promote economy and efficiency. These activities are threaded throughout this report and are highlighted in this chapter.

#### Prevention

- **Evaluation of the Implementation of the Federal Managers' Financial Integrity Act of 1982.** Auditors from the OAIG-AUD visited selected Defense Agency and DoD components and provided technical advice and assistance on the adequacy of management's implementation of the Act. (OIG, DoD)

- **Evaluation of Reform '88 Initiatives - Cash Management.** The OAIG-AUD conducted audits on the adequacy and accuracy of receivables data identified in the Report on Status of Accounts and Loans Receivable Due from the Public and determined the effectiveness of the procedures used to collect debts owed the government. In FY 1985, the office will evaluate cash management and the implementation of the Prompt Payment Act. (OIG, DoD)

- **Fraud Prevention Surveys.** The DCIS completed five fraud prevention surveys in defense agencies. The functional areas surveyed included small purchase systems, depot receiving operations, production equipment accountability, identification of supply sources and CHAMPUS claims. (OIG, DoD)

- **Fraud Awareness Briefings.** NIS gave fraud awareness briefings to about 3,000 Navy procurement personnel. A videotape and briefing on contract fraud awareness were made and presented at several Marine Corps locations. NIS also established a Material Overpricing Prevention Program at a shipyard to encourage employees to identify and report potential overpricing through the Waste, Fraud and Abuse Hotline. This program has resulted in credit billings to offending contractors and cash refunds to the government. Also, one command instituted a contract review board to examine contract plans and follow up on executed contracts. (NAVY)

- **Fraud Prevention Initiatives.** The AFOSI continued to present fraud briefings to resource managers, contracting personnel, commanders and other key personnel. Approximately 3,000 briefings are presented annually to more than 130,000 Air Force personnel. The briefings serve to sensitize Air Force personnel to the fraud environment and their responsibility to report fraud when suspected or detected. (Air Force)

#### Management Improvements and Initiatives

- **Coordination With Other Audit Organizations.** The OIG, DoD gave increased attention to coordinate audit plans and ideas with GAO and the Military Departments. The agency established an audit coordination and liaison group to monitor the activities of other audit groups to avoid duplication and ensure effective audit coverage. Travel plans for the OAIG-AUD, the DCAA and the applicable Military Service audit organization were coordinated on a weekly basis. (OIG, DoD)

- **IG Digest.** The digest version of the last IG semi-annual report to Congress was prepared and disseminated to personnel throughout DoD. The digest gives information about DoD audit, inspection and investigation activities and DoD Hotline telephone numbers. (OIG, DoD)

- **Integrity Alert Ideas.** The OIG prepared point papers on Integrity Alert ideas for the Secretaries of the Military Departments, Directors of the Defense Agencies and the Assistant Secretaries of Defense on:

- Use of motor pool vehicles, rental vehicles, government and commercial aircraft, government quarters and telephones.
- Employment of relatives and family members.
- Reporting procedures on defense related employment.
- Political activity provisions of the Hatch Act.
- Requirements of the Standards of Conduct.
- Authorization and other requirements associated with time cards, overtime, temporary duty and permanent change-of-station.
- Requirements for financial disclosure reports.

The purpose of the Integrity Alert program is to inform DoD officials of the potential for abuse of seemingly routine administrative requirements or systems. (OIG, DoD)

- **Inspector General, DoD Cash Awards Program.** Under the IG, DoD Cash Awards Program, three awards were made to individuals who disclosed fraud, waste or mismanagement which resulted in significant cost savings. Unfortunately, the program's legislative authorization expired on September 30, 1984. We support re-enactment of the legislation including military personnel among the eligible recipients. (OIG-DoD)

- **Management Control Program.** The OIG initiated a management control program to assess vulnerabilities and to review internal controls of in-house programs and administrative functions. The program established procedures for OIG personnel to evaluate and test their own internal controls and to implement corrective actions. (OIG, DoD)

- **Quick-Reaction Audit Program.** AAA issued five quick-reaction letters to Army management recommending the suspension or curtailment of proposed procurement and unnecessary maintenance of facilities and equipment. The quick-reaction capability was established in an earlier reporting period by the Army Auditor General at the request of the Secretary of the Army in an attempt to provide real-time audit service to the Army Secretariat, staff principals and major commanders on issues requiring immediate attention. (Army)

- **Army Internal Controls Program.** Army internal review initiatives continued to focus on deterring and detecting fraud and waste and on redirecting the Army's Internal Controls Program. (Details of these initiatives are in chapter 1) (Army)

- **Marine Corps Followup System.** The Marine Corps implemented an automated followup system to monitor the status of open NAVAUDSVC recommendations. The system will also be used to update the NAVAUDSVC audit followup system and to produce internal management reports on audits. (Marine Corps)

- **Navy Internal Control Program.** During FY 1984, NAVAUDSVC reviewed management's compliance with the Navy's internal control program at each activity that was audited. NAVAUDSVC initiated a year-end review to assess the Navy's implementation

of internal control. The assessment includes reviewing the adequacy of policies and procedures which describe the responsibilities for performing and reporting vulnerability assessments and internal control reviews. NAVAUDSVC is also conducting a year-end accounting system assessment review of the Navy's policy, procedures, plans and schedules for evaluating and reporting on its accounting systems. (Navy)

- **Air Force Recoupment of Appropriated Funds.** AFOSI and Air Force Accounting and Finance Center representatives began new procedures to improve the recoupment of funds from Air Force military and civilian employees who commit crimes involving appropriated funds. The first procedure requires all Air Force commanders who take disciplinary action on AFOSI cases on fraud, theft or misappropriation of appropriated funds or property to coordinate with the local Accounting and Finance Officer who reviews the AFOSI report. If it is determined that the person or persons under investigation are guilty, the value of the property may be recouped from them. The second procedure requires commanders to verify that recoupment actions are actually taken. Copies of AFOSI reports on crimes of appropriated funds will be sent to the finance center. There the report will be reviewed to determine if recoupment action should be taken by the local accounting and finance officer or the appropriate commander. If no recoupment is made at the local level and recoupment appears warranted, the Accounting and Finance Center will initiate the recoupment. (Air Force)

- **Air Force Contracting.** An Air Force base civil engineer operation saved the service \$610,600 when requirements contracts were used in FY 1983 instead of standard contracts. A standard contract specifies fixed tasks on a certain facility while requirements contracts permit the Air Force to have an undetermined amount of work done at a set price per unit of work on any number of similar facilities. This method reduces the number of designs, specifications, preparation and contract award and management actions. In essence, this method is wholesale versus retail purchasing. The Air Force decision resulted in a one-time savings of \$610,600 for 39 requirements contracts costing almost \$7.5 million. (Air Force)

## Review of Legislation and Directives

The Inspector General Act requires IGs to review existing and proposed legislation and regulations and to make recommendations on their impact on the prevention and detection of fraud and abuse.

• **Legislation.** During the report period, the OIG, DoD reviewed more than 40 items of proposed and pending legislation, which included:

- H.R. 4798, The Debarment and Suspension Reform Act of 1984. This bill would replace the current debarment and suspension procedures in the FAR with new administrative procedures for debarment and suspending contractors. OIG, DoD opposed the bill.
- H.R. 5256, To Amend Title 10 of the United States Code. This bill would authorize the IG, DoD to take certain extraordinary actions to reform DoD contracts. The OIG took the position that it would not object to being given the authority to suspend or revise payment schedules of contracts when it was found that there were excessive contractor charges. It would use such authority judiciously. However, the OIG, DoD did not believe there was a need for this legislation and did not agree with the bill's provision which would grant OIG the authority to unilaterally reform contracts.
- H.R. 5646, To Extend the Inspector General Cash Awards Program. The OIG supported enactment of this bill and recommended that it be amended to include members of the Military Services.

The OIG also reviewed legislative proposals originating within DoD and other Executive Branch agencies. While comments were not made on all proposals, OIG, DoD took a position on some. For example, the OIG supported DoD Legislative Proposal 98-156 which would amend Section 1114 of Title 18 of the U.S. Code to protect certain DoD personnel who are assigned to perform investigations, audits, inspections or law or regulatory enforcement functions.

• **Directives.** OIG, DoD made 49 reviews of new directives and changes to existing directives. Nine of these reviews resulted in recommendations for changes and improvements, the most significant of which pertained to:

- Health Personnel Manpower Accounting System.
- Efficiency Review and Resource Requirements Determination.

- Internal Management Control Program.
- Collection of Indebtedness from Federal Employees Indebted to the United States.
- Commercial Activities.
- Administrative and Logistic Responsibilities for DoD Dependent Schools (Financial Administration).

### Congressional Hearings

OIG, DoD participated in seven Congressional hearings during the reporting period. These included hearings before the Senate Small Business Committee on Bill S. 2489 to amend the Small Business Act and before the Subcommittee on Administrative Law and Government Relations, of the House Committee on the Judiciary on Bill H.R. 3668, to amend the Contract Disputes Act. The OIG, DoD also participated in hearings before the Senate Veterans Affairs Committee on quality assurance of health care and the Subcommittee on Administrative Procedures and Practices of the Senate Committee on the Judiciary on information flow within OIG, DoD.

The OIG testified before the Senate Armed Services Committee in favor of returning the threshold for defective pricing reviews to \$100,000 from \$500,000. This recommendation was enacted in Sec. 2712 of Public Law 98-369, the "Deficit Reduction Act of 1984."

The OIG participated in hearings of the Senate Small Business Committee on the Bill S. 2489, "Small Business Competition Enhancement Act." The bill was generally supported by the OIG as serving a need and, if properly administered, a significant enhancement to efforts to broaden the defense procurement base and to increase competition and reduce costs. Many of the provisions of S. 2489 were adopted in amended form as part of the "Department of Defense Authorization Act of 1985," Public Law 98-525.

### DOD Council on Integrity and Management Improvement

The DCIMI, which is chaired by the Deputy Secretary of Defense, has an important role in emphasizing and reinforcing management improvement efforts in DoD. The Council serves as a decision-making and guidance

channel for the Deputy and the Secretary of Defense and provides a forum for the exchange of new ideas, informational briefings on priority programs and the discussion of major issues. The IG, DoD and the Military Departments are active members of the DCIMI.

During the report period, the DCIMI focused major attention on DoD property disposal practices. Air Force representatives presented a plan to the DCIMI for attacking the problems of excess parts being sold through the Defense Property Disposal Service while the same parts were being newly acquired by other buying activities. Recognizing this as a DoD-wide problem, the Deputy Secretary of Defense issued an action plan for the DCIMI to accomplish needed reviews and implement corrective actions. The IG, DoD will review and validate the DoD components' actions to implement the action plan.

The DCIMI continued to work on the Defense Acquisition Improvement Plan and the committee members reviewed and approved the third annual improvement plan Working Group report. The report noted that greater visibility for managing support and readiness is in the program budget review process; that independent cost estimates for more realistic budgeting have been greatly expanded; that improved planning for competition has been conducted at all levels of management; and that strong support for multiyear procurement has been maintained.

The Council also addressed a new Industrial Base Initiative, the Model Installations Program for improving base services, a master plan for acquiring higher quality consulting studies at reduced cost, contract administration, IG year-end spending reports, internal management controls and the recommendations of the President's Private Sector Survey on Cost-Control (Grace Commission).

### **The President's Council on Integrity and Efficiency**

The IG, DoD is a member of the PCIE, made up of statutory IGs, an interagency committee whose function is to develop plans for coordinated government-wide activities which attack fraud and waste in the government, with the Deputy Director of OMB serving as chairman.

The IG, DoD is a member of the Training and the Communications/ Awareness Committees. He is also Chairman of the Prevention Committee, which works to identify and eliminate management vulnerabilities that lead to fraud and abuse. The OIG, DoD staff is also involved in council activities, projects and workshops.

During the reporting period, the IG, DoD was project leader for two ongoing Prevention Committee projects: Cooperative Prevention Efforts with Federal Contractors and Use of Technical Experts by the IG Community.

## **CHAPTER 6**

### **DEFENSE HOTLINE PROGRAM**

The DoD Hotline, now in its sixth year, has proven to be an effective method for military and civilian personnel to report real or perceived instances of waste, fraud or mismanagement in defense programs.

The types of complaints received by the Hotline staff and referred for inquiry or investigation are broad. Callers provide information on prohibited personnel practices, materiel mismanagement, theft, fraudulent claims and irregularities in procurement practices.

The Hotline staff is continuing its efforts to improve the processing of complaints, reduce the time needed to complete referral actions and improve the quality of information from the complainants. These efforts have enabled responsible authorities to make the necessary examinations under better conditions.

There was no concerted publicity effort made during the reporting period. However, the DoD Hotline posters, the advertisement which appears on the cover of the DoD Telephone Directory and the listing of the Hotline number on the Air Force service members' payroll leave and earnings statements have helped make people aware of the program. A new version of the DoD Hotline poster has been printed and distributed.

In July 1984, GAO initiated a DoD Hotline audit, which is still ongoing, to review the manner in which the complainant's identity and information are protected, the efficiency of administrative processing and the reaction time of the examining organization.

#### **Program Results**

The number of calls and letters received by the Hotline during the reporting period has exceeded 650 per month for a total of 4,191, of which 65 were GAO Hotline referrals. This is 562 more than the number received during the previous reporting period. An initial inquiry into complaints found that 1,506 of the calls or letters had enough merit to warrant investigation or referral.

During this period, 877 allegations were referred to DoD audit, inspection and investigative components, a decrease of almost 2 percent. At the end of the reporting period, there were 1,230 Hotline complaints or allegations under audit review, administrative inquiry or criminal investigation. Table 17 is an analysis of Hotline activity.

**TABLE 17. DoD HOTLINE PROGRAM ANALYSIS**

Sources of Information	Current Period	Prior Six Months	Total Program April 1975 to Present
DoD Hotline	4,106	3,510	17,261
GAO Hotline	65	91	1,770
Other Sources <sup>1</sup>	20	28	426
Total	<u>4,191</u>	<u>3,629</u>	<u>19,457</u>
<b>Disposition</b>			
<b>Allegations:</b>			
Referred to Other Federal Departments and Agencies	28	31	171
Referred for Information Only	212	174	945
Referred for Administrative Action <sup>2</sup>	389	305	975
Referred Audit/Inspection/Investigative Components <sup>3</sup>	<u>877</u>	<u>893</u>	<u>7,314</u>
Subtotal	1,506	1,403	9,405
Nonsubstantive Matters <sup>4</sup>	<u>2,685</u>	<u>2,226</u>	<u>10,052</u>
Total	<u>4,191</u>	<u>3,629</u>	<u>19,457</u>
<b>Status of Allegations Referred to DoD Audit Inspection and Investigative Components</b>			
Closed	1,096	788	6,922
Open End of Period	804	775	1,230

<sup>1</sup> This category is composed mainly of letters sent to the DoD Hotline.

<sup>2</sup> Reflects telephone calls where the matters were of an administrative nature and inappropriate for Hotline action. These callers were usually referred to the appropriate local commander, inspection or personnel channels for assistance.

<sup>3</sup> Complaints were reviewed and action taken by the OIG, DoD, to include referral to audit, inspection or investigation.

<sup>4</sup> This category includes calls for information about DoD or previously submitted complaints, calls that provided insufficient data and calls that did not otherwise fall into one of the categories under "Allegations."

### Significant Hotline Cases

• **Excessive Charge for Bolt.** A service member complained that the Air Force was buying a Landing Gear Trunion Bolt for the C-130 aircraft under two National Stock Numbers. The list price under one number was \$136.17 and under the other was \$9.67. An Air Force inquiry found that either item would serve the

aircraft. The Service eliminated the higher-priced item from the supply system. This inquiry will realize cost savings of \$16,051 for the coming year, based on a previous procurement history of 95 items annually.



• **Excessive Price Increase for Navigational Light.** An inquiry from a complaint that the cost of a navigational light increased from \$35.26 to \$282.67 resulted in a finding of unjustified price increase. The contractor reduced the unit price of the light to \$52 and refunded the government over \$30,000.

• **Excessive Charge for Power Supply Unit.** An investigation was initiated after a complaint was made that a contractor was overcharging the government for a power supply unit. The investigators found that the contractor had agreed to provide 45 power supply units at a unit cost of \$6,800. The contractor then procured the items from another source at a cost of \$2,634 each, added some insulating strips and charged the government \$6,800 per unit. The contract was terminated at the convenience of the government, but 34 of the items had been delivered and paid for. Eleven additional power supply units were purchased at the lower price for a savings of \$45,826.

• **Excessively Priced Radial Knob.** A caller complained that the price of \$281 seemed excessive for a radial knob used on communications equipment. An inquiry revealed that the unit price was a result of a direct delivery procurement of one item. The government buying activity kept the item in stock with a procurement order of 64 knobs. This action reduces the standard price to \$7.25 per item and results in a cost avoidance of \$17,520.

• **False Time and Attendance Claims.** This investigation was based on a caller's complaint that a federal employee, who was also a commissioned officer of the Air National Guard, had falsely claimed compensatory time over a 4 or 5-year period. He allegedly further abused the system by serving on active duty status during the time he was using the falsely claimed compensatory time, thus drawing two payroll checks. An AFOSI investigation substantiated the allegations. The employee was allowed to resign his federal position before removal. His officer status in the Air National Guard was withdrawn and he was discharged from the organization.

## Results of Hotline Referrals

The following are examples of some of the reports made by auditors and inspectors as a result of DoD Hotline referrals:

• **Contract Awards.** The OIG-AUD reviewed allegations about Defense Acquisition Regulation violations and other irregularities allegedly made by the Naval Electronics Systems Command (NAVELENSYSCOM) and DCAA in awarding contracts to the Superior Engineering and Electronic Corporation. The audit confirmed one or more aspects of four charges in the allegation. First, the Navy did not properly account for and control government property held by the contractor. Second, NAVELENSYSCOM did not always obtain field pricing support on cost proposals. Third, the contractor purchased unnecessary casualty insurance on government property and had inadequate controls over purchases and timekeeping procedures. Last, DCAA was not up to date in auditing costs incurred by the firm.

The auditors recommended improvements in procurement and property administration, the need to intensify DCAA's audit of the corporation's annual cash submissions and the need to develop adequate purchasing and timekeeping policies and procedures. Management agreed with all of the audit recommendations. (OIG-AUD 84-119)

• **Inventory Discrepancies.** A caller alleged that the management at a major Army installation either had not taken action or had not taken prompt action as a result of three investigations involving \$227,000 worth of inventory discrepancies at the Central Issue Facility. As a result, an audit was made to determine if the allegation was valid and to evaluate property accountability procedures and stock management within the facility. The audit showed that, by the time the call was made, the installation commander had either implemented the investigating officer's recommendations or had improved inventory accountability through alternative actions for 10 of the 17 recommendations. Action was later taken to implement three other recommendations, although the auditors concluded that the command initiatives on these recommendations were not timely. Because investigative files were missing, some documents reported in the hotline allegation or in the investigations could not be substantiated. However, the audit disclosed that the Central Issue Facility had lost accountability over items worth about \$240,000. This loss of accountability (including overages and shortages) was the result of an accumulation of inventory adjustment errors made over the past 2 years. In addition, about \$842,000 worth of organizational clothing and individual equipment items on hand or on order were excess to authorized stocking levels. The Army's annual holding cost for the excess stock was estimated at about \$92,000. (XXX SO 04-603)

## **CHAPTER 7**

### **BACKGROUND, RESPONSIBILITIES AND ORGANIZATION OF THE OIG, DoD**

#### **Background**

Although the U.S. military has had an IG function since 1784, the establishment of civilian IGs in federal agencies is recent. It was not until the passage of the Inspector General Act (P.L. 95-452) in October 1978, that 12 independent IGs were set up in the Executive Branch. The Department of Defense was not among the 12.

As an alternative measure, Congress asked the Secretary of Defense to make a study to determine the best way to fight fraud and waste in DoD. The study group found that the Secretary needed a senior official to coordinate the efforts of the Department's auditors, investigators and inspectors. The inadequate IG-type resources that existed were grouped in autonomous organizations with little or no central policy or oversight.

This situation was turned around in April 1981 when Secretary Weinberger established the position of Assistant to the Secretary of Defense (Review and Oversight) (ATSD(R&O)) as his principal advisor on the prevention and detection of fraud and mismanagement, as the overseer of the DoD Hotline Program and as the coordinator of the Department's audit and criminal investigative activities.

Recognizing that the military investigative organizations had responsibilities in areas other than procurement fraud (such as, violent crime, drugs, counterespionage), Secretary Weinberger established DCIS in October 1981 as an elite group to fight white collar crime. He also wrote to defense personnel encouraging their use of the Hotline, redirected the efforts of the Defense Audit Service (DAS) to focus on the Department's acquisition process and began a followup program to ensure that differences between auditors and management were resolved so agreed-upon recommendations could be made.

The ATSD(R&O) became the defense designee of the newly formed PCIE and of the PCIE Training Committee.

He was also active in the DCIMI, on DCIMI's Integrity Panel and on the DoJ-DoD Procurement Fraud Unit.

During this time, some members of Congress were unconvinced that DoD had gone far enough in establishing an acceptable alternative to an IG. Their main concerns were the question of independence and the need for statutory permanence of the position and its supporting organizations.

This concern led to the House and Senate introducing legislation to establish IGs in the Departments of Defense, Justice and Treasury and in the passage of the FY 1983 Defense Authorization Bill (which amended the Inspector General Act). The bill resolved the issue of independence by establishing an IG, DoD and placing the position under the Secretary of Defense with the same independence as all other statutory IGs. Exceptions were made in the following areas where the Secretary of Defense maintains the authority to control or stop an investigation or audit:

- Sensitive operational plans.
- Intelligence matters.
- Counterintelligence matters.
- Ongoing criminal investigations by other DoD units.
- Other matters which, if disclosed, would constitute a serious breach of national security.

The new bill consolidated the DAS, DCIS, and DLA Inspectors General under the IG, DoD, along with the audit policy function that was formerly the responsibility of the ASD(C). The Congress also gave the IG, DoD the authority to oversee and review the contract audit work of DCAA.

With these consolidations and with additional resources, the new IG, DoD provides uniform audit and criminal policy and oversight within DoD, aggressive audit and investigative programs, a special unit to ensure that criminals are prosecuted and a Hotline program which is committed to keep all callers anonymous.

#### **Responsibilities**

Under the amended act, the IG, DoD is enjoined to provide policy on all matters relating to the promotion of



economy and efficiency and the prevention and detection of fraud and abuse within the Department and for

- Conduct and supervise audits and investigations of DoD programs and operations;
- Review existing (see Appendix D) and proposed legislation and regulations of fraud, waste and abuse;
- Oversee the relationships between DoD and other federal, state and local governments in the identification and prosecution of participants in such fraud and abuse;
- Keep the Secretary of Defense and the Congress fully and currently informed on frauds and of other serious problems, abuses and deficiencies in the administration of such programs and operations in the Department.

With respect to its mandated responsibilities, the OIG, DoD is authorized access to all records, reports, audits, reviews, documents, papers, recommendations or other material available to the Department. In addition, OIG, DoD personnel may request information or assistance from federal, state or local government agencies or from contractors or sub-contractors.

The IG, DoD must report to the Secretary of Defense when information or assistance has been refused or not provided. During this reporting period, there were no denials of assistance, of or access to information.

In addition to the amended Inspector General Act, the following DoD Directives further define OIG, DoD responsibilities:

DoD Directive 1400.1, "Inspector General of the Department of Defense," March 14, 1983.

DoD Directive 7600.1, "Audit Policies," August 7, 1976.

DoD Directive 7600.7, "DoD Internal Audit Structure, Policies and Procedures," October 1, 1976.

DoD Directive 7600.8, "Followup on General Accounting Office General Audit and Internal Review Reports," June 26, 1977.

DoD Directive 7600.9, "DoD Hotline," May 14, 1978.

## Reporting

To keep the Congress informed of program abuses and deficiencies, the OIG, DoD must summarize its activities for 6-month periods. In addition to the informational aspects of this requirement (see this report and appendices A through E), the IG, DoD is required to inform the Attorney General when he has reason to believe there has been a violation of federal criminal law.

## Organizational Elements

The new OIG, DoD soon grew to an organization of about 1,000 military and civilian personnel. The office's responsibilities are carried out through the IG, Deputy IG, the Deputy IG for Program Planning, Review and Management and six Assistant IGs.

- The Deputy Inspector General for Program Planning, Review and Management (DIG-PPRM) provides leadership and professional expertise for management and analysis functions and for operations that cross organizational lines. The DIG-PPRM sets policy for and directs the preparation of the IG semiannual report to Congress and reviews legislation, regulations and directives. His office coordinates congressional and public affairs, internal reviews, management of OIG, DoD support operations, and PCIE and integrity review activities. The authorized strength of this office is 49.
- The Assistant Inspector General for Auditing (AIG-AUD) has an authorized staff of 559 people organized in seven main operating divisions and 10 field offices (see appendix E), with 497 staff members on board at the end of the reporting period. The OAIG-AUD performs internal audits of individual DoD components and audits of more than one DoD component. While these are the major areas of concentration, the OAIG-AUD is prepared to go into any areas of the Department as may be requested by the Secretary of Defense or as determined necessary by the IG, DoD. The major emphases of this office are to make comprehensive audits of entire procurements and major weapon systems acquisitions.
- The Assistant Inspector General for Investigations (AIG-INV) has an authorized staff of 236 persons. The OAIG-INV, synonymous with DCIS, has agents in 10 field offices and 18 subor-

dinate resident agencies (see appendix E). The objective of this organization is to investigate major theft, fraud and corruption anywhere in the DoD acquisitions and logistics process. The OAIG-INV also operates the Defense Hotline, a telephone and mail system designed to provide individuals a way to report cases of fraud, waste and mismanagement with the assurance that their identities will be protected.

- The Assistant Inspector General for Inspections (AIG-INS) has an authorized staff of 130 of which 121 are on board. They perform inspection work and handle special inquiries that do not warrant an audit or criminal investigation. These inquiries are received through the Secretary of Defense, DoD Hotline, Congress and directly from complainants. This office also provides a quick reaction capability to look at an issue, determine the extent and depth of a problem and recommend a course of action to the IG, DoD.
- The Assistant Inspector General for Audit Followup (AIG-AFU), with an authorized staff of 40, maintains systems to achieve prompt, proper resolution of disputed audit findings and recommendations and to ensure that agreed-upon corrective actions on DoD internal audits, GAO reports and DCAA reports are taken. The AIG-AFU also ensures that DoD's responses to GAO audits are of high quality. This organization has corrected a serious historical problem in that management would agree or disagree with auditors' recommendations and that would be the end of it. Now, once resolution or agreement is reached, there is a clear procedure to ensure there is follow-through and corrective action.
- The Assistant Inspector General for Audit Policy and Oversight (AIG-APO) has an authorized staff of 22. The office reviews the operations of DoD internal and contract audit organizations and establishes internal and contract audit policy. The AIG-APO evaluates the adherence of DoD audit organizations to prescribed auditing standards, policies and procedures. The office updates and clarifies audit policy guidance and monitors the effectiveness of audit organizations in the way they plan, perform and report audits.

In 1984, a peer review program was implemented to provide comprehensive oversight reviews of individual internal audit and internal review organizations on a cyclical basis.

- The Assistant Inspector General for Criminal Investigations Policy and Oversight (AIG-CIPO), with an authorized strength of 15, issues investigative policy on all criminal investigative organizations within DoD. The AIG-CIPO places special emphasis on policies and procedures that adversely affect criminal prosecutions or timely civil and administrative remedies. The office also has oversight responsibility for all DoD investigative organizations.

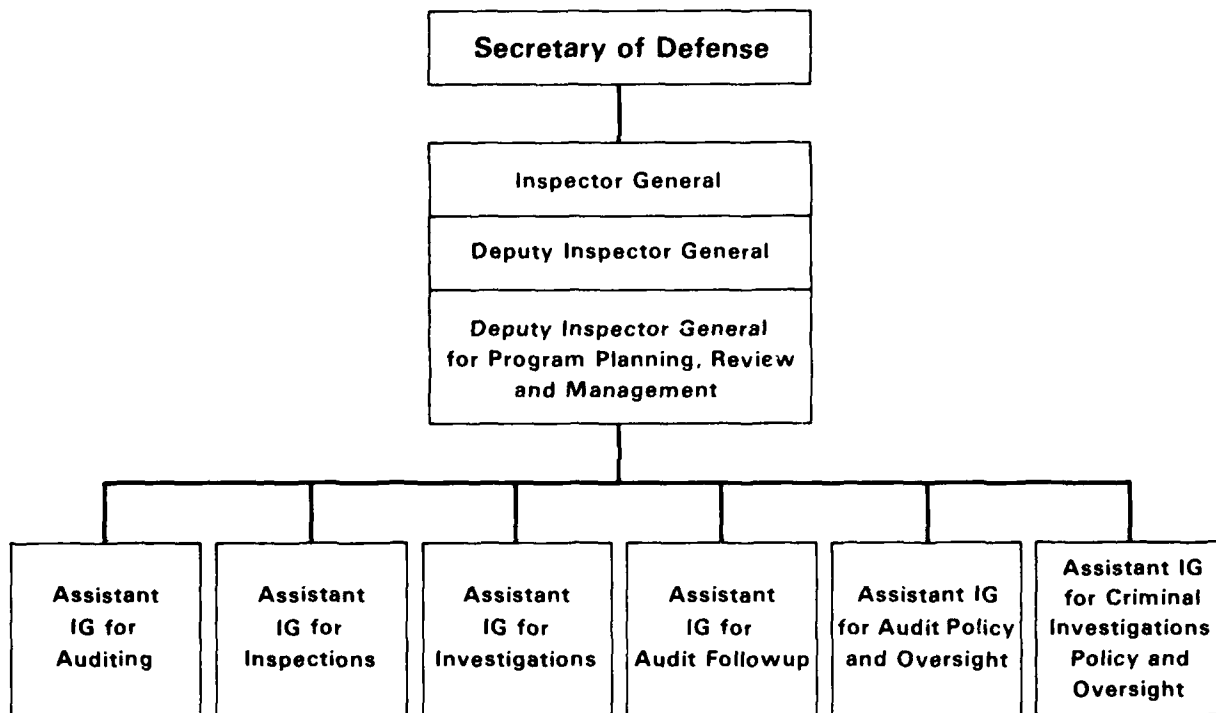
## Organizational Structure

The IG, DoD is organized along functional lines as shown in figure 1. The civilian and military strength of the organization as of September 30, 1984, was 941 with an annual operating cost of \$44.9 million.

Basically, the foregoing reflects the organization as it exists today. The degree of independence under which the OIG, DoD operates is working well and gives the agency the latitude to discharge its responsibilities.

In addition to its own people, the OIG, DoD has an oversight and policy role for about 18,000 DoD auditors, inspectors and investigators.

Retaining audit, investigative and inspection organizations in the Military Services and keeping the DCAA outside the OIG is a departure from the organization of IGs in other federal agencies.



**FIGURE 1: ORGANIZATIONAL STRUCTURE AND PLACEMENT OF THE OIG, DoD**

## APPENDIX A

### AUDIT REPORTS ISSUED

The Inspector General Act of 1978 as amended requires that the Inspector General include in the Semiannual Report a listing of audit reports completed during the reporting period. The listing that follows does not include internal review reports, commanders audit program reports or reports prepared by contract audit activities.

REPORT NO.	TITLE	DATE ISSUED	REPORT NO.	TITLE	DATE ISSUED
<b>Office of the Assistant Inspector General for Auditing</b>			84-077	Implementation of Internal Controls at the Defense Logistics Agency	4/27/84
84-061	Hand Tools and Portable Power Tools	4-20-84	84-078	Defense Communications Agency Welfare and Recreation Association Fund	5/07/84
84-062	Survey of Biological and Medical Research and University Research Instrumentation	4-05-84	84-079	Foreign Military Sales Funding of Engineering Effort at the Aeronautical Systems Division	5/10/84
84-063	Defense Nuclear Agency Headquarters Unit Fund	4-06-84	84-080	Base Communications	5/11/84
84-064	Progress Payments at Defense Logistics Agency Activities	4-17-84	84-081	Price Reasonableness of Noncompetitive Procurements of Spare Parts by the Defense Logistics Agency	5/11/84
84-065	Rent-Plus Housing Allowance Program in the Pacific Theater	4-17/84	84-082	Unobligated Balances of Military Construction Funds	5/14/84
84-066	Status of Accounts and Loans Receivable Due From the Public for Defense Mapping Agency	4-17-84	84-083	Community Activities Fund, Bad Aibling Station, West Germany	5/14/84
84-067	Status of Accounts and Loans Receivable Due From the Public for Defense Communi- cations Agency	4/17/84	84-084	Consolidated Open Mess, Bad Aibling Station, West Germany	5/14/84
84-068	Status of Accounts and Loans Receivable Due From the Public for Defense Nuclear Agency	4-17-84	84-085	Central Base Fund, Menwith Hill Station, United Kingdom	5/14/84
84-069	DoD Systems Independent Test and Evaluation Program - Army	4-17-84	84-086	Consolidated Open Mess, Menwith Hill Station, United Kingdom	5/14/84
84-070	Implementation of Office Automation at the Defense Communications Agency	4-18-84	84-087	Rent-Plus Housing Allowance Program in the Pacific Theater	5/14/84
84-071	Use of Expired Aircraft Procurement Appropriations	4-18-84	84-088*	Tactical Cryptologic Research Develop- ment Test and Evaluation Program	5/22/84
84-072	Defense Logistics Agency Defense Stock Fund	4-18-84	84-089	Selected Aspects of the Defense Intelligence Agency Travel Program	5-31-84
84-073	Evaluation of the DoD Inspector General Followup System	4-18-84	84-090	Survey of the DoD Procurement Planning Process	5-31-84
84-074*	Tactical Troop Cargo Vehicle Requirements	4-18-84	84-091	Pricing of Missiles Sold to Foreign Military Sales Customers	5-31-84
84-075*	Selected Air Defense Systems Requirements	4-18-84	84-092	Pricing Support for Spare Parts Provided by the Defense Contract Administration Services	6-11-84
84-076	Status of Accounts and Loans Receivable Due From the Public for Defense Logistics Agency	4-27-84	84-093	Supply Support for DoD Commercial Design Vehicles in the Pacific	6/13-84

\*Classified Audit Report

REPORT NO.	TITLE	DATE ISSUED
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84-094	DoD Hotline Allegation of Questionable Contractor Practices Relating to the C-130, C-141, and Spare Parts Programs	6/13/84
84-095*	S-3A Weapon System Improvement Program	6/15/84
84-096	DoD Computer Timesharing Services	6/20/84
84-097	Survey of Procurement With Planned Producers	6/20/84
84-098	DoD Lumber Purchases	7/30/84
84-099	Rent-Plus Housing Allowance Program in the Pacific - Rental of Commercial Hotel Rooms in Hawaii	6/27/84
84-100	Defense Property Disposal Office, Charleston, South Carolina	6/27/84
84-101	Selected Commercial Activity Post-Declarations at Defense Depot, Tracy, California	6/27/84
84-102	Survey of Operating Cost Differentials at Naval Air Propulsion Center and Arnold Engineering Development Center	6/27/84
84-103*	Joint Anti-Tactical Missile Program	6/27/84
84-104	Single Manager for Conventional Ammunition Program	6/28/84
84-105*	Financial Reports and Credit Program Division, Defense Security Assistance Agency	6/28/84
84-106	Status of Accounts and Loans Receivable Due From the Public	7/06/84
84-107*	Contract Automatic Data Processing Support in Europe	7/06/84
84-108	Contractor Claim on Air Force Reserve Contract No. DACA-45-76-C-0027	7/19/84
84-109	DoD Use of Public Law 85-804	7/19/84
84-110	Management of Automatic Data Processing Equipment Maintenance	7/19/84
84-111	Management and Administration of the Uniformed Services University of the Health Sciences	7/28/84
84-112	DoD Hotline Allegation of Improperities in Aircraft Services Contract	7/30/84
84-113	Federal Employees' Compensation Act in the Defense Logistics Agency	7/31/84
84-114	Payments to Hacker Energy Corporation	8/01/84
84-115	Enhanced Joint Tactical Information Distribution Systems	8/09/84

REPORT NO.	TITLE	DATE ISSUED
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84-116	DoD Accountability for Sensitive Conventional Weapons and Munitions in the Pacific Command	8/09/84
84-117	Bona Fide Need for Fiscal Year 1983 Year-End Spending	8/15/84
84-118	Review of the Guided Antiarmor Mortar Projectile (GAMP) Program	8/16/84
84-119	Hotline Allegation Concerning Superior Engineering and Electronics Corporation and the Naval Electronic Systems Command	8/21/84
84-120	The Integrated Materials Complex	8/21/84
84-121	CHAMPUS Billings and Payments	8/21/84
84-122	Advisory Report - Acquisition of Data Processing Equipment	8/21/84
84-123	Selection of Repair Sources	8/22/84
84-124	Outside Employment and Clinical Investigations by DoD Doctors	8/22/84
84-125	Industrial Security Costs at DoD Contractors' Plants	8/24/84
84-126	SGT York Division Air Defense (DIVAD) Gun System	9/10/84
84-127	Peacetime Use of Munitions by Ground Forces	8/31/84
84-128	Acquisition of New Special Airlift Mission Aircraft	9/05/84
84-129	Status of Accounts and Loans Receivable Due From the Public at the Department of Defense Dependents Schools	9/13/84
84-130	Congressional Request for Additional Information on the Financial Management of the F/A-18 Program	9/14/84
84-131	DoD Use of Contractor-Developed Cost Performance Data	9/20/84
84-132	Hotline Allegation of Contract Overpricing and Cost Mischarging	9/20/84
84-133	Requirements Determination Processes for Spares and Repair Parts Within DoD	9/21/84
84-134	Physical Inventory Adjustments in the Defense Logistics Agency	9/21/84
84-135	Survey of Debt Collection Practices at Selected Defense Agencies	9/25/84
84-136	Defense Mapping Agency Civilian Pay and Entitlements Program	9/25/84

\*Classified Audit Report

REPORT NO.	TITLE	DATE ISSUED
84-137	Defense Nuclear Agency Civilian Pay and Entitlements Program	9/25/84
84-138	DoD Implementation of Transmittal Memorandum Number 1 to Office of Management and Budget Circular Number A-71, 'Security of Federal Automated Information Systems'	9/26/84
84-139	Graduate Education Programs	9/28/84
84-140	Foreign Military Sales of Ammunition	9/28/84
<b>Army Audit Agency</b>		
EC 84-207	Army's Audit Followup Systems U.S. Army Materiel Development and Readiness Command Alexandria, Virginia	4/3/84
SO 84-705	Temporary Duty Travel U.S. Army Engineer District, Savannah Savannah, Georgia	4/3/84
WE 84-14	Washington Army National Guard Tacoma, Washington	4/4/84
NE 84-4	Finance and Accounting Operations Fort Dix Fort Dix, New Jersey	4/6/84
WE 84-11	Data Processing Operations Tripler Army Medical Center Tripler AMC, Hawaii	4/9/84
EC 84-6	Finance and Accounting Division Operations Walter Reed Army Medical Center Washington, D.C.	4/10/84
SW 84-6	Commissary Operations U.S. Army Air Defense Artillery Center and Fort Bliss Fort Bliss, Texas	4/11/84
SW 84-205	Special Operations Project Stocks U.S. Army Air Defense Artillery Center and Fort Bliss Fort Bliss, Texas	4/16/84
MW 84-600	Acquisition of Spare Parts U.S. Army Aviation Systems Command and U.S. Army Troop Support Command St. Louis, Missouri	4/19/84
MW 84-601	Acquisition of Spare Parts U.S. Army Armament, Munitions and Chemical Command Rock Island, Illinois	4/19/84
WE 84-703	Temporary Duty Travel U.S. Army Engineer Division, North Pacific Portland, Oregon	4/20/84

\*Classified Audit Report

REPORT NO.	TITLE	DATE ISSUED
SO 84-601	Acquisition of Spare Parts U.S. Army Missile Command Redstone Arsenal, Alabama	4/23/84
WE 84-15	Oregon Army National Guard Salem, Oregon	4/23/84
HQ 84-202	Active Duty Pay to National Guard Members	4/23/84
SO 84-206	Army's Audit Followup Systems U.S. Army Forces Command	4/24/84
HQ 84-203*	Threat Support to the Concept Based Requirements System	4/24/84
EU 84-204	Meat Market Operations European Commissary Region U.S. Army Troop Support Agency Zweibruecken, Germany	4/25/84
NE 84-607	Acquisition of Spare Parts U.S. Army Communications-Electronics Command Fort Monmouth, New Jersey	4/25/84
EC 84-600	Department of Defense Hotline Allegations Stonewall Jackson Lake Project Benefit-Cost Ratio U.S. Army Engineer District, Pittsburgh Pittsburgh, Pennsylvania	4/25/84
WE 84-706	Temporary Duty Travel U.S. Army Engineer District, Sacramento Sacramento, California	4/25/84
NE 84-9	U.S. Army Medical Department Activity Fort Dix, New Jersey	4/26/84
SW 84-9	Maintenance Operations Fort Sam Houston, Texas	4/26/84
SO 84-8	Followup Audit of the Chaparral Missile System and Forward Area Alerting Radar Redstone Arsenal, Alabama	4/27/84
SW 84-10	Food Service Operations Fitzsimons Army Medical Center Aurora, Colorado	4/27/84
NE 84-702	Temporary Duty Travel U.S. Army Engineer Division, New England Waltham, Massachusetts	4/30/84
EC 84-603	Acquisition of Spare Parts U.S. Army Tank-Automotive Command Warren, Michigan	5/8/84
NE 84-204	Review of Documentation for the Army Systems Acquisition Review Council and Defense Systems Acquisition Review Council Process	5/11/84
SW 84-15	Fund Controls U.S. Modern Pentathlon Training Center Fort Sam Houston, Texas	5/11/84



REPORT NO.	TITLE	DATE ISSUED
HQ 84-603	Acquisition of Spare Parts U.S. Army Materiel Development and Readiness Command	5/11/84
SO 84-207	Education Facilities Tennessee-Tombigbee Waterway Project	5/14/84
SW 84-16	U.S. Army Engineer District, Albuquerque Albuquerque, New Mexico	5/14/84
EC 84-8	Acquisition of War Reserve Assets U.S. Army Tank-Automotive Command Warren, Michigan	5/16/84
HQ 84-703	System Integration Process	5/16/84
SO 84-10	Acquisition and Contracting Fort Bragg, North Carolina	5/17/84
MW 84-13	Illinois Army National Guard Springfield, Illinois	5/17/84
MW 84-14	Finance and Accounting Operations U.S. Army Armor Center and Fort Knox Fort Knox, Kentucky	5/17/84
WE 84-12	U.S. Army Engineer District, Portland Portland, Oregon	5/18/84
SO 84-208	Short-Range Air Defense Command and Control System U.S. Army Missile Command Redstone Arsenal, Alabama	5/21/84
WE 84-704	Temporary Duty Travel U.S. Army Engineer District, Los Angeles Los Angeles, California	5/22/84
WE 84-705	Temporary Duty Travel U.S. Army Corps of Engineers Washington, D.C.	5/22/84
EU 84-202	Management of Small Scale Computers U.S. Army, Europe and Seventh Army	5/23/84
SO 84-12	U.S. Army Chemical School Fort McClellan, Alabama	5/23/84
SW 84-11	Transportation Operations Fort Carson and 4th Infantry Division (Mechanized) Fort Carson, Colorado	5/23/84
NE 84-606	Post Decision Review of Custodial Services U.S. Army Armament Research and Development Center Dover, New Jersey	5/24/84
MW 84-704	Armywide Review of the Evaluation of Internal Control Systems	5/24/84
SW 84-13	Commissary Operations III Corps and Fort Hood Fort Hood, Texas	5/25/84

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SW 84-14	U.S. Modern Pentathlon Training Center Fort Sam Houston, Texas	5/25/84
MW 84-15	Installation Supply Operations U.S. Army Soldier Support Center Fort Benjamin Harrison, Indiana	5/29/84
SO 84-13	Disposition of Residue from Missile and Rocket Firings U.S. Army Missile Command Redstone Arsenal, Alabama	5/30/84
EC 84-11	Finance and Accounting Operations U.S. Army Tank-Automotive Command Warren, Michigan	5/31/84
HQ 84-204	Logistic Planning for New Equipment	5/31/84
WE 84-16	Divisional Maintenance 2d Infantry Division, Eighth U.S. Army Seoul, Korea	6/1/84
SO 84-602	Post Review of the Commercial Activity Study for Fire Prevention and Protection Services Fort Stewart, Georgia	6/1/84
WE 84-18	Controls Over Permanent Change of Station Costs Eighth U.S. Army Seoul, Korea	6/1/84
SO 84-209	Deployment Planning for Army Forces in Support of the U.S. Central Command 81st U.S. Army Reserve Command East Point, Georgia	6/4/84
EC 84-208*	Threat Support to the Concept Based Requirements System U.S. Army Training and Doctrine Command Fort Monroe, Virginia	6/5/84
SO 84-14	Tests of Productivity Award Systems U.S. Army Materiel Development and Readiness Command Alexandria, Virginia	6/5/84
SO 84-707	Aliceville Lake Regional Visitor Center Tennessee-Tombigbee Waterway Project	6/5/84
NE 84-10	Central Supply Operations New Cumberland Army Depot New Cumberland, Pennsylvania	6/6/84
SW 84-17	Finance and Accounting Operations U.S. Army Combined Arms Center and Fort Leavenworth Fort Leavenworth, Kansas	6/6/84
HQ 84-1	Funding Guidance for Uninterruptible Power Supplies	6/6/84

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NE 84-11	Project Manager, Operations Tactical Data Systems U.S. Army Communications-Electronics Command Fort Monmouth, New Jersey	6/7/84
SO 84-706	Accountability Over Air Items 82d Airborne Division Fort Bragg, North Carolina	6/7/84
EU 84-7	Coal Requirements U.S. Army, Europe and Seventh Army	6/12/84
MW 84-702	Soldier Oriented Research U.S. Army Soldier Support Center Fort Benjamin Harrison, Indiana	6/12/84
SW 84-207	Recreation Facilities U.S. Army Corps of Engineers	6/13/84
NE 84-608	Post Decision Review of Installation Support Services U.S. Army Armament Research and Development Center Dover, New Jersey	6/15/84
EU 84-701	Augsburg Supply Center Augsburg, Germany	6/15/84
MW 84-206	Borrowed Military Manpower and Troop Diversion U.S. Army Armor Center and Fort Knox Fort Knox, Kentucky	6/18/84
SO 84-210*	The Army Linguist Program	6/20/84
MW 84-16	Indiana Army National Guard Indianapolis, Indiana	6/22/84
EC 84-13	Modern Technology Engine Program	6/27/84
SO 84-211	Deployment Planning for Army Forces in Support of U.S. Central Command XVIII Airborne Corps and Fort Bragg Fort Bragg, North Carolina	6/27/84
NE 84-609	Post Decision Review of Installation Support Services U.S. Army Communications-Electronics Command Fort Monmouth, New Jersey	6/29/84
MW 84-207*	Deployment Planning for Army Forces in Support of the U.S. Central Command 101st Airborne Division (Air Assault) Fort Campbell, Kentucky	7/3/84
SW 84-12	Production Management Red River Army Depot Texarkana, Texas	7/10/84

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SW 84-206	The Army's Audit Followup Systems U.S. Army Health Services Command Fort Sam Houston, Texas	7/24/84
HQ 84-604	Post-Decision Operations of Commercial Activities	7/24/84
MW 84-17	Toxic Chemicals and Hazardous Waste Indiana Army Ammunition Plant Charlestown, Indiana	7/26/84
EC 84-604	Reporting of Accounts and Loans Receivable Due from the Public U.S. Army Troop Support Agency Fort Lee, Virginia	7/31/84
WE 84-17	Yearend Buying-Household Furnishings Headquarters, Fort Huachuca Fort Huachuca, Arizona	7/31/84
SO 84-16	Civilian Pay Fort McPherson, Georgia	8/1/84
SO 84-15	Finance and Accounting Operations U.S. Army Infantry Center and Fort Benning Fort Benning, Georgia	8/8/84
SO 84-17	U.S. Army Ballistic Missile Defense Advanced Technology Center Huntsville, Alabama	8/10/84
SW 84-21	Central Nonappropriated Fund Payroll Office Texarkana, Texas	8/10/84
NE 84-12	Lease Arrangements for Telephone Systems Army National Guard	8/14/84
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MW 84-603	Acquisition of Muzzle Boresight Devices	8/24/84
EU 84-205	Port Operations Military Traffic Management Command Transportation Terminal Command, Europe	8/28/84
EU 84-702	Review of Cigarette Operations Frankfurt Commissary Frankfurt, Germany	8/28/84
EU 84-8	Patch Barracks Commissary Stuttgart, Germany	8/30/84
SW 84-605	Medical Quality Assurance and Incident Reporting U.S. Army Health Services Command Fort Sam Houston, Texas	8/30/84
MW 84-18	Transportation Motor Pool Operations U.S. Army Armor Center and Fort Knox Fort Knox, Kentucky	8/31/84

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SW 84-19	Supply Operations 193d Infantry Brigade, Panama	9/7/84
SW 84-603	Medical Quality Assurance and Incident Reporting U.S. Army Medical Department Activity Fort Carson, Colorado	9/7/84
EU 84-207	The Tables of Organization and Equipment System U.S. Army, Europe and Seventh Army Heidelberg, Germany	9/10/84
SO 84-603	Department of Defense Hotline Allegation Central Issue Facility U.S. Army Infantry Center and Fort Benning Fort Benning, Georgia	9/10/84
WE 84-22	Commissary Operations Schiefel Barracks, Hawaii	9/11/84
WE 84-21	Supply Operations National Training Center and Fort Irwin Fort Irwin, California	9/14/84
EU 84-10	Automatic Data Processing Operations 200th Theater Army Materiel Management Center Zweibruecken, Germany	9/17/84
EU 84-206	Logistical Planning for New Equipment U.S. Army, Europe and Seventh Army Heidelberg, Germany	9/17/84
SW 84-606	Medical Quality Assurance and Incident Reporting Brooke Army Medical Center Fort Sam Houston, Texas	9/17/84
SW 84-604	Medical Quality Assurance and Incident Reporting	9/18/84
MW 84-20	Military Personnel Operations U.S. Army Training Center, Engineer and Fort Leonard Wood Fort Leonard Wood, Missouri	9/20/84
HQ 84-2	Acquisition of Education Services	9/24/84
NE 84-14	Acquisition and Contract Administration U.S. Army Training Center and Fort Dix Fort Dix, New Jersey	9/25/84
EC 84-14	Program Management Applied Technology Laboratory Fort Eustis, Virginia	9/25/84

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EC 84-15	Multiyear Procurement U.S. Army Materiel Command Alexandria, Virginia	9/25/84
SW 84-23	Oklahoma Army National Guard Oklahoma City, Oklahoma	9/25/84
NE 84-800	Fort Monmouth Club System Fort Monmouth, New Jersey	5/2/84
EU 84-808	Seventh Army Training Command Area Club System Grafenwoehr, Germany	5/4/84
WE 84-803	Fort Irwin Club System National Training Center and Fort Irwin Fort Irwin, California	6/7/84
EU 84-809	Giessen Area Club System Giessen, Germany	6/8/84
EU 84-810	Bad Krueznach Area Club System Bad Krueznach, Germany	6/11/84
EU 84-811	Munich Area Club System Munich, Germany	6/22/84
WE 84-804	U.S. Army Garrison Camp Page Club System Chunchoo, Korea	7/9/84
WE 84-805	U.S. Army Garrison, Honshu Club System Camp Zama, Japan	7/12/84
NE 84-801	Fort Drum Club System Watertown, New York	8/24/84
NE 84-802	West Point Club System West Point, New York	9/28/84
EU 84-601	American Battle Monuments Commission European Office Paris, France	8/9/84
EU 84-602	American Battle Monuments Commission Mediterranean Office Rome, Italy	8/9/84
NE 84-704	Special Act Award - U.S. Army Armament Research and Development Center Dover, New Jersey	4/30/84
EC 84-12	U.S. Army Engineer Topographic Laboratories Fort Belvoir, Virginia	4/24/84
EC 84-605	Ledger Accounts - Washington Aqueduct Division Washington, D.C.	7/5/84
MW 84-703	1984 RDX/HMX Site Selection Study U.S. Army Armament - Munitions & Chemical Command	4/5/84

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MW 84-705	Military Pay System Related to the Paperwork Reduction Act	6/15/84
MW 84-602	Accounting for and Reporting of Public Receivables U.S. Army Engineer District, Savannah	6/26/84
MW 84-604	Accounting for and Reporting of Public Receivables U.S. Army Engineer Division, Ohio River	9/20/84
SW 84-708	Central Issue Facility III Corps and Fort Hood Fort Hood, Texas	5/1/84
SW 84-709	Fund Accounts, Directorate of Reserve Components Fort Bliss, Texas	5/21/84
WE 84-707	Acquisition of Selected Commercial Supplies and Services 172d Infantry Brigade Fort Richardson, Alaska	4/6/84
WE 84-708	Commander's Request Audit of Engineer Acquisition Presidio of San Francisco	5/7/84
WE 84-20	Survey of Ration Control System Eighth U.S. Army Seoul, Korea	7/3/84
WE 84-606	Audit Assistance to Naval Audit Service Multilocation Audit of Accounting for Aviation Material Undergoing Repair Sacramento Army Depot	9/19/84
HQ 84-701	Deputy Chief of Staff for Logistics Reviews of Requests for Relocated Buildings	4/20/84
HQ 84-704	Armywide Review of the Army's Internal Control Systems Program U.S. Army Corps of Engineers	9/12/84
EC 84-10	Review Concerning Associated Costs and Rail Abandonment Procedures Headquarters, Military Traffic Management Command	3/27/84
EC 84-601	DoD-wide Audit of Physical Inventory Adjustments Data Related to Inter-service Inventory Management	3/27/84
HQ 84-705	Armywide Review of the Army's Internal Control Systems Program Deputy Chief of Staff for Research, Development and Acquisition	9/12/84
HQ 84-706	Armywide Review of the Army's Internal Control Systems Program Assistant Chief of Staff for Intelligence	9/17/84

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HQ 84-707	Armywide Review of the Army's Internal Control Systems Program Assistant Chief of Staff for Information Management	9/17/84
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HQ 84-711	Armywide Review of the Army's Internal Control Systems Program Deputy Chief of Staff for Logistics	9/27/84
HQ 84-712	Armywide Review of the Army's Internal Control Systems Program Comptroller of the Army	9/27/84
NE 84-503	Review of Government Cost of Training Audiovisual Services, T-807 U.S. Army Training Center and Fort Dix Fort Dix, New Jersey	6/8/84
NE 84-504	Review of Government Cost of Dining Facilities Services, S-713 U.S. Army Training Center and Fort Dix Fort Dix, New Jersey	8/9/84
NE 84-505	Review of Government Cost of Support Services Carlisle Barracks Carlisle, Pennsylvania	8/24/84
EC 84-602	DoD-wide Audit of Physical Inventory Adjustments	3/27/84
EC 84-503	Review of Government Costs of the Directorate of Engineering and Housing Fort Belvoir, Virginia	4/4/84
EC 84-504	Review of Government Costs of Facilities Maintenance Norfolk, Virginia	4/23/84
EC 84-506	Review of Government Costs of Motor Vehicle Operations and Maintenance Fort Meade, Maryland	6/14/84
SO 84-502	Review of Revised Government Costs of Facilities Engineering Fort Gordon, Georgia	5/21/84
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SO 84-505	Review of Government Costs for Personnel Services Directorate of Personnel and Community Activities Fort Jackson, South Carolina	7/19/84
MW 84-501	Review of Government Cost of Operations Installations Food Service Operations - S-713 U.S. Army Armor Center and Fort Knox Fort Knox, Kentucky	5/15/84
MW 84-502	Review of Government Cost of Operations Administrative and Installation Support Activity U.S. Army Aviation Systems Command	7/16/84
MW 84-503	Review of Government Cost of Operations Recruiting Support Center Activity U.S. Army Recruiting Command Fort Sheridan, Illinois	7/23/84
SW 84-401	Review of Government Cost for Commercial Activity Cost Comparison - Custodial Services U.S. Army Medical Department Activity Fort Carson, Colorado	5/4/84
SW 84-500	Review of Government Costs for Commercial Activity Cost Comparison, Directorate of Industrial Operations, Post Retail Gas Station Headquarters, 1st Infantry Division (Mechanized) and Fort Riley Fort Riley, Kansas	7/6/84
SW 84-501	Review of Government Costs for Commercial Activity Cost Comparison, Provost Marshal Office - Other Services Headquarters, 1st Infantry Division (Mechanized) and Fort Riley Fort Riley, Kansas	7/9/84
SW 84-502	Review of Government Costs of Personnel Services Fort Sill, Oklahoma	9/10/84
WE 84-501	Review of Government Costs for Commercial Activities Program, Training and Audiovisual Support Center Fort Richardson, Alaska	4/4/84
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WE 84-504	Review of Revised Government Cost of Base Operations Support U.S. Army Yuma Proving Ground	5/25/84
WE 84-505	Review of Government Costs of Operations Custodial Services U.S. Army Engineer Division, Pacific Ocean	6/8/84
WE 84-506	Review of Government Costs for Commercial Activities Program, Graphic Arts Operation U.S. Army Engineer District, Seattle	8/23/84
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C27414	Audit of Timekeeping and Civilian Payroll at the Navy Finance Center, Cleveland, Ohio	3/13/84
T20213	Marine Corps Career Sea Pay, Premium Sea Pay, Foreign Duty Pay, and Hostile Fire Pay	3/13/84
C11922	Management of Navy Industrial Fund Material Inventories at Puget Sound Naval Shipyard, Bremerton, WA	3/30/84
K30063	A Review of the Command Systems Program, Office of the Naval Electronic Systems Command	3/3/84
A40593	Audit of Selected Functions at Personnel Support Activity, New Orleans, LA	4/2/84
A10443	Security, Internal Review, and Other Center Support Services at Naval Ocean Systems Center, San Diego, CA	4/2/84
G10053	Navy-wide Audit of Federal Employees Compensation Act Costs	4/16/84

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A10354	Internal Control Reviews and Selected Supply, Finance, and Security Functions at Naval Amphibious Base, Coronado, San Diego, CA	4/24/84
G20113	Review of the Reasonableness of Initial and Replenishment Spare Part Prices Paid to Selected Contractors at the Aviation Supply Office, Philadelphia, PA, and the Ships Parts Control Center, Mechanicsburg, PA	4/25/84
K30112	Review of the Acquisition and Support of NAVSEA's AN/UYK-43(V) Standard Shipboard Tactical Embedded Computer Project	4/11/84
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D30043	The Naval Sea Systems Command's Ship Alteration Management Information System	4/11/84
K30033	Review of the Naval Sea Systems Command's Surface Combatants Vertical Launching Systems Project	4/11/84
K30123	Reconnaissance, Electronic Warfare, Special Operations, Naval Intelligence Project (REWSON) Program Office of the Naval Electronic Systems Command	4/17/84
T30043	A Review of Naval Medical Department Enlisted Education and Training Programs	4/26/84
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C22753L	Audit of Selected Aspects of Manpower Control and Morale, Welfare, and Recreation Fund Activities at Portsmouth Naval Shipyard, Portsmouth, NH	3/6/84
A10043L	Selected Aspects of Supply and Support Services at Naval Supply Center, Puget Sound, Bremerton, WA	3/5/84
A20203L	Property, Finance, Personnel, and Selected Support Functions at Northern Division, Naval Facilities Engineering Command, Philadelphia, PA	3/12/84

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A40323L	Audit of Budgeting, Cash Controls, Appropriation and Fund Accounting, Plant Property, Procurement, Time-keeping and Payroll, Internal Review, Military Pay and Leave Administration, and Personnel and Passenger Transportation Support at the Personnel Support Activity, Charleston, SC	3/20/84
A40204L	Procurement, Finance, Support, and Other Selected Functions at Naval Air Station, Memphis, Millington, TN	3/8/84
A10553L	Selected Aspects of Property, Finance, and Support at U.S. Naval Communication Area Master Station, Western Pacific	3/19/84
C17563L	Security at the TRIDENT Complex, Bangor, Bremerton, WA	3/22/84
C12453L	Unaccompanied Personnel Housing at Naval Air Station, Alameda, CA	3/21/84
C22613L	Audit of the Service Life Extension Program - Philadelphia Naval Shipyard, Philadelphia, PA	3/22/84
A10503L	Marine Corps Base, Camp Smedley D. Butler, Okinawa, Japan (Facilities Engineering)	3/30/84
C17073L	San Diego Aeronautical Audit Complex, San Diego, CA - Weapons Management at the Naval Air Station, Miramar, San Diego, CA	3/29/84
A40254L	Audit of Selected Functions at the Naval Diving and Salvage Training Center, Panama City, FL	3/15/84
A40154L	Financial Management, Property, and Other Selected Functions at Naval Amphibious School, Little Creek, Naval Amphibious Base, Norfolk, VA	3/26/84
C42013L	Utilization and Maintenance of Materials Handling Equipment at the Norfolk Naval Shipyard, Portsmouth, VA	3/26/84
C42833L	Supply Management of Fuel, Ammunition, Food, and Other Consumable Supplies Ordered, Stocked, and Issued by Marine Corps Base, Camp Lejeune, NC	3/29/84
A10163L	Commercial Activities, Selected Functions of Supply, and Internal Review at Commander U.S. Naval Support Force, Antarctica	3/26/84
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C17543L	Military Training and Selected Support Functions at TRIDENT Training Facility, Bangor, Bremerton, WA	4/12/84
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A10354L	Internal Control Reviews and Selected Supply, Finance, and Security Functions at the Naval Amphibious Base, Coronado, San Diego, CA	4/16/84
A20213L	Procurement, Finance, and Property Functions at Officer in Charge of Construction, Mediterranean, Madrid, Spain	4/27/84
C42933L	Station Operations and Engineering Squadron, Marine Corps Air Station, Cherry Point, NC	4/16/84
C11914L	Cost Accounting (Accuracy and Validity of Direct Labor and Material Charges), Puget Sound Naval Shipyard, Bremerton, WA	4/30/84
A10513L	Review of Property, Internal Review, Time-keeping and Civilian Payroll, Small Purchases Administration, and Selected Aspects of Navy Industrial Fund Accounting at Naval Civil Engineering Laboratory, Port Hueneme, CA	4/16/84
A40543L	Audit of Procurement, Financial Management, Property Management, Personnel and Support at the Southern Division, Naval Facilities Engineering Command, Charleston, SC	4/13/84
A30053L	Review of Finance, Procurement, Property, Travel, and Support at the Naval Electronic Systems Engineering Activity, St. Inigoes, MD	4/19/84
C17514L	Research and Development Contractual Services at the Naval Undersea Warfare Engineering Station, Keyport, WA	4/3/84
A10463L	Arms, Ammunition, and Exposure Ordnance Operations, and Selected Support Sources at the Naval Undersea Warfare Engineering Station, Keyport, WA	4/2/84
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A40244L	Review of Contract Administration, Plant Property Accounting, Financial Management, and Other Selected Functions at the Naval Air Technical Training Center, Naval Air Station, Memphis, Millington, TN	4/3/84
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A10144	Nonappropriated Fund Activities, Security, and Other Center Support Services at Naval Weapons Center, China Lake, CA	5/4/84
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T40083	Multilocation Audit of Table of Equipment and Mount-Out Deficiencies in the Marine Corps	5/1/84
H04123	Monthly Report of Audit Findings to Chief of Naval Material - September 1983	5/4/84
T40103	Curriculum Development by and for The Chief of Naval Education and Training	5/7/84
G30113	Review of the Reasonableness of Interim Spare Parts Prices Paid to Selected Contractors by the Naval Air Systems Command and the Naval Sea Systems Command	5-1-84
A40573	Finance, Procurement, Personnel, Transportation, and other Selected Functions at Commander Submarine Force, U S Atlantic Fleet, Norfolk, VA	5/8/84
D24613	Fleet Material Support Office, Mechanicsburg PA - System Development Review of the Uniform Automated Data Processing System Level II with Emphasis on the Supply Subsystem	5/15/84
H04063/ H00442	Monthly Report of Audit Findings to Chief of Naval Material - March 1983	5/4/84
C37823	Major Procurement Managed by Contracts Department - Naval Aviation Logistics Center, Patuxent River, MD	5/24/84
T4017~	Audit of Flight Gear and Related Organizational Issue Equipment	5/8/84
T30033	Multilocation Audit, Navy Land Outlease Program	5/24/84
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D30053	Development of the Navy Automated Transportation Documentation System (NAVADS) within the Naval Supply Command	6/29/84
T20063	Multilocation Audit of the Marine Corps Joint Uniform Military Pay System (JUMPS)	6/5/84
A20353	Budget and Fund Administration, Supply Management, Public Works Maintenance Management and other Selected Functions at the Naval Submarine Base, New London, Groton, CT	6/18/84
C17533	TRIDENT Refit Facility, Bangor, Bremerton, WA Intermediate Level Maintenance Operations	6/18/84
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C44413	A Review of the Aircraft Rework Program at the Naval Air Rework Facility Pensacola, Florida	6/13/84
C37113	Review of Contract Planning and Administration at Navy Military Personnel Command	6/28/84
H03014/ H03103/ H03113/ H03123	Consolidated Report of Audit Findings to the Comptroller of the Navy, Washington, DC	6/29/84
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C13733L	Manufacturing at Mare Island Naval Shipyard, Vallejo, CA	5/1/84

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X40014L	Unannounced Audit of Disbursing Functions at the Personnel Support Activity, Naval Air Station, Pensacola, FL	5/2/84
X40024L	Unannounced Audit of Disbursing Functions at the Naval Oceanographic Office, Bay St. Louis, MS	5/3/84
X40044L	Unannounced Audit of Disbursing Functions at the Naval Weapons Station, Yorktown, VA	5/3/84
A10353L	Selected Family Housing and Production Control Functions at U.S. Navy Public Works Center, Guam, Mariana Islands	5/10/84
A40703L	Audit of Disbursing Operations and Other Related Functions at the Personnel Support Activity, Naval Air Station, Jacksonville, FL	5/4/84
A40294L	Audit of Property, Finance, Supply, and Support Functions at Naval Dental Clinic, Orlando, FL	5/1/84
A40214L	Major Procurement, Contract Administration, Financial Management, and Other Related Functions at Officer in Charge of Construction, Naval Facilities Engineering Command Contracts, TRIDENT	5/7/84
A40134L	Review of Financial Management, Property Management, and Other Selected Functions at the Naval Education and Training Support Center, Atlantic, Norfolk, VA	5/16/84
C17093L	Weapons Management at Naval Air Station, North Island, San Diego, CA	5/11/84
A10024L	Selected Aspects of Property, Support, Finance, and Supply at Commander, Marine Corps Air Bases, Western Area, Marine Corps Air Station, El Toro, Santa Ana, CA, and Marine Corps Air Station, (Helicopter), Tustin, CA	5/25/84
A40124L	Audit Survey of the Fleet Anti-Submarine Warfare Training Center, Atlantic, Norfolk, VA	5/24/84
C13353L	Class 3 and 4 Plant Property and Minor Property at the Naval Supply Center, Oakland, CA	5/29/84
A20013L	Finance, Personnel, Supply, Internal Review, Support, and Other Selected Functions at NAVAIRSTA, Brunswick, ME	5/21/84
A40284L	Review of Supply Management, Financial Management, Real Property, and Other Selected Functions at the Naval Ordnance Station, Louisville, KY	5/25/84



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A40164L	Audit of Selected Functions at Naval Air Station, New Orleans, LA	5/29/84	F30023	An Examination of the Recording and Review of Obligations and Disbursements for Selected Naval Electronic Systems Command Operation and Maintenance, Navy Appropriation Accounts and Transactions	8/27/84
S30023	Special Review to Evaluate Operational Alternatives for the USNA Sairy	5/5/84	A30153	Strategic Systems Project Office, Fleet Ballistic Missile Repairable Program	8/6/84
C12514L	Selected Functions Accomplished by the Traffic Management Office at Marine Corps Base, Camp Pendleton, CA	5/31/84	T10214	Survey of USMC M198 Howitzer Program	7/3/84
A10444L	Controls Over Cash Collections, Silver Recovery and Narcotics and Dangerous Drugs at U.S. Navy Hospital, Guam, Mariana Islands	6/1/84	T10184	Survey of USMC Tactical Motor Transportation Program - Ground Forces	7/3/84
C12533L	Selected Communications-Electronic Support Functions at Marine Corps Base, Camp Pendleton, CA	6/14/84	H01054	Chief of Naval Operations, Washington, DC	7/10/84
C17034L	San Diego Aeronautical Audit Complex, San Diego CA - Small Craft Operations and Maintenance NAVAIRSTA, North Island, San Diego, CA	6/14/84	X10054	Verification of Disbursing Officer's Accountability at Marine Corps Base, Camp Pendleton, CA	7/17/84
A20351L	Budget and Fund Administration, Supply Management, Public Works Maintenance Management, and Other Selected Functions at the Naval Submarine Base, New London, Groton, CT	6/5/84	T30053	Management of Medical and Dental Investment Equipment	7/2/84
C13814L	Automated Data Processing at Pearl Harbor Naval Shipyard, Pearl Harbor, HI	6/20/84	C17044	Telephone Services at Naval Air Stations North Island and Mirama, San Diego, CA	7/30/84
C44414L	A Review of Inventory Accounting and Real Property Maintenance Functions at Naval Air Station, Pensacola, FL	6/15/84	K30043	A-6/EA Aircraft Acquisition Project (PMA-234) of the Naval Air Systems Command	7/31/84
C42914L	Review of Food Service (Enlisted Dining Facility) at Marine Corps Air Station Cherry Point, NC	6/13/84	T40441F	Followup Audit of Cash Sales and Delinquent Accounts Receivable	8/30/84
A10364L	Selected Aspects of Finance and Supply, Marine Corps Recruit Depot, San Diego, CA	6/22/84	A30053	Finance, Procurement, Travel, and Support at the Naval Electronics Systems Engineering Activity, St. Ingoes, MD	8/1/84
A10054L	Selected Aspects of Property, Maintenance, Personnel, Finance, Supply, Procurement, and Dental Care Operations at U.S. Naval Dental Clinic, Okinawa, Japan	6/26/84	H01064	Chief of Naval Operations, Washington, DC	8/6/84
A20231L	Support, Procurement, Finance, Supply, and Property Functions at the Navy Resale and Services Support Office Staten Island, NY	6/25/84	C35433	Review of Selected Aspects of Procurement at the Naval Electronics Systems Command	8/6/84
A40834L	A Review of Procurement, Property, and Other Selected Functions at the Supervisor of Shipbuilding, Conversion and Repair, USN, New Orleans, LA	6/28/84	C24553	Review of Selected Funded Planned Program Requirements at the Ships Parts Control Center, Mechanicsburg, PA	8/15/84
I30274	Multilocation Audit of Department of the Navy's Contract Audit Followup System	8/31/84	C41743	Audit of the Engine Rework Program at the Naval Air Rework Facility, Norfolk, VA, and Related Functions Performed by the Naval Supply Center, Norfolk, VA	8/31/84
			H00332/ H00313	Consolidated Report of Audit Finding to the Comptroller of the Navy	7/13/84
			T10124	Survey of Travel Advance Liquidation CINCOPACFLT	7/23/84
			A30114	Review of Automated Data Processing, Finance, Security, Property, Internal Review, and Other Selected Functions at Naval Data Automation Command	8/27/84

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H00223	Report on Second Quarter FY 1983 Audit Findings to Commandant of the Marine Corps	8/29/84
A40274L	Review of Public Works, Supply, Property, Financial Management, and other Selected Functions at Naval Air Station, Oceana, Virginia Beach, VA	8/30/84
A20674L	Procurement and Contract Administration Functions at the Naval Plant Representative Office, Lynn, MA	8/30/84
A40934L	Audit of Financial, Property, Support, Small Purchase, Transportation, and Morale, Welfare, and Recreation Fund Activities at Naval Ordnance Test Unit, Cape Canaveral, FL	8/21/84
C34294L	Management of Transportation Equipment Resources and Ground Fuel Accounting Control at Marine Corps Air Station, Cherry Point, NC	8/23/84
X40034L	Unannounced Audit of Disbursing Functions, Personnel Support Activity, Naval Air Station, Memphis, Millington, TN	7/19/84
C37814L	Evaluation of Authorization Accounting Activity Services Provided Supported Activities by the 'RMS Accounting Unit,' on Organization within Comptroller Office of the Naval Air Test Center, Patuxent River, MD	8/15/84
C24723	Contractor Supply Support for Ship Parts, Navy Ships Parts Control Center, Mechanicsburg, PA	8/24/84
A10034L	Shore Intermediate Maintenance Activity, Pearl Harbor, HI - Selected Aspects of Supply, Finance, Security, Property, Maintenance, Procurement, and Support	7/2/84
B20013L	Morale, Welfare, and Recreation Activities of the Naval Administrative Command, Great Lakes, IL	7/6/84
C13714L	Screening and Identification of Salvage, Excess, Exchanged, and Returned Material, and Management of Real Property Maintenance	7/9/84
A10104L	Selected Pay and Personnel Support Functions at Personnel Support Activity, Puget Sound (Bangor), Bremerton, WA	7/13/84
X20074L	Unannounced Disbursing Audit - Naval Air Engineering Center, Lakehurst, NJ	7/12/84
C14514L	Selected Support Functions of Organizational and Intermediate Level Maintenance Operations at Pacific Missile Test Center, Point Mugu, CA	7/19/84

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A40924L	Audit of Budgeting, Accounting, Supply, Plant Property, and Timekeeping at the Naval Intelligence Processing System Training Facility, Naval Air Station, Key West, FL	7/20/84
A30073L	Audit of Selected Aspects of Supply, Finance, Personnel Travel Administration Property, Procurement and Other Functions at Naval Medical Command, Capital Region	7/27/84
A20724L	Review of Internal Control Reviews and Support Functions at the U.S. Naval Hospital, Naples, Italy	7/30/84
C17314L	Management of Transportation Equipment Resources at Naval Construction Battalion Center, Port Hueneme, CA	7/13/84
A40884L	Major Procurement, Contract Administration, Government Property in the Possession of Contractors, and Other Related Functions at Supervisor of Shipbuilding, Conversion and Repair, USN, Mayport Naval Station, Jacksonville, FL	7/31/84
A30094L	Review of Finance, Supply, Purchasing, and Property Administration at Naval Security Station, Washington, DC	8/1/84
B30014L	NISC Morale, Welfare and Recreation Fund	8/1/84
X20084L	Unannounced Disbursing Audit - The Navy Finance Center, Cleveland, OH	8/7/84
X20094L	Unannounced Disbursing Audit - Naval Weapons Support Center, Crane, IN	8/7/84
X20104L	Unannounced Disbursing Audit - Naval Avionics Center, Indianapolis, IN	8/7/84
A10344L	Aspects of Property, Support, Supply, Personnel, Automatic Data Processing, Procurement, and Finance, and Internal Control Reviews at U.S. Naval Hospital, Okinawa, Japan	8/2/84
A10334L	SERVMART Automatic Data Processing Application System Review at Naval Supply Center, San Diego	8/6/84
C17014L	San Diego Aeronautical Audit Complex San Diego, CA - Food Service, Security, Special Services, and Other Support Functions at San Clemente Island, Naval Air Station, North Island, San Diego, CA	8/10/84
A10524L	Contract Administration, Information Security, Travel, Property Management, and Internal Review at the Fleet Combat Direction Systems Support Activity, San Diego, CA	8/20/84

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C22724L	Review of Timekeeping and Civilian Payroll at Portsmouth Naval Shipyard, Portsmouth, NH	8/9/84
B40064L	Audit of Morale, Welfare, and Recreation Fund Activities and Ground Fuel Accounting and Control at U.S. Naval Air Station, Bermuda	8/3/84
C13854L	Manufacturing at Pearl Harbor Naval Shipyard, Pearl Harbor, HI	8/23/84
C13314L	Prepositioned War Reserve Material Management of the Naval Supply Center, Oakland, CA	8/23/84
C43614L	Control of Portable Power and Handtools and Recycling of Used Petroleum Production at the Charleston Naval Shipyard, Naval Base, Charleston, SC	8/3/84
A40194L	Finance, Supply, Equipment Maintenance, and Other Functions at Navy Resale and Services Support Office, Field Support Office, Commissary Store Division, Jacksonville, FL	8/3/84
B10044L	Morale, Welfare, and Recreation Activities at Naval Amphibious Base, Coronado, San Diego, CA	8/20/84
F30012F	Followup Audit of Actions Taken on Recommendations to Findings 1, 2, 4, and 5 of Audit Report F30012	8/27/84
S20064L	Special Audit of Selected Segments of the Retirement Fund at the Navy Resale and Services Support Office	8/22/84
A10974L	Selected Support Functions at Naval Station, Seattle, WA	8/30/84
A20193L	Contract Administration, Data Processing Security, Appropriation and Fund Accounting, and Selected Support Functions at TRIDENT Command and Control System Activity, Newport, RI	8/22/84
C41743L	Audit of the Engine Rework Program at the Naval Air Rework Facility, Norfolk, VA, and Related Functions Performed by the Naval Supply Center, Norfolk, VA	8/27/84
<b>Marine Corps Nonappropriated Funds Audits**</b>		
	Consolidated Chapel Fund, Henderson Hall, Arlington, VA	3/13/84
	Dining Fund, Marine Corps Base, Camp	11/21/83

\*\*Audit report numbers were not provided

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	S. D. Butler, Okinawa, Japan	
	Enlisted Club, Marine Barracks, Naval Air Station, Lemoore, CA	4/2/84
	Enlisted Club, 1st Marine Corps District, Garden City, Long Island, NY	2/22/84
	Enlisted Club, Marine Barracks, Panama	4/11/84
	Enlisted Club, Marine Barracks, Mare Island, Vallejo, CA	4/4/84
	Enlisted Club, Marine Barracks, Naval Submarine Base, Bangor, Bremerton, WA	5/11/84
	Enlisted Club, Marine Barracks, U.S. Naval Activities, United Kingdom	7/11/84
	Marine Corps Morale Support Funds, Headquarters, U.S. Marine Corps, Washington, DC	2/10/84
	Marine Corps Barracks Club System, Marine Barracks, U.S. Naval Base, Guantanamo Bay, Cuba	3/27/84
	Recreation Fund, 2nd Marine Division Camp Lejeune, NC	3/14/84
	Recreation Fund, Marine Base, Panama Canal	4/9/84
	Recreation Fund, Marine Corps Finance Center, Kansas City, MO	5/7/84
	Recreation Fund, Shawnee Mission, Kansas	1/4/84
	SNCO Club, Naval Air Station, Memphis, TN	2/16/84
	SNCO Club, Marine Barracks, U.S. Naval Base, Subic Bay, RP	4/6/84
<b>Air Force Audit Agency</b>		
100-4-01	Management of Official Representation Funds, Secretary of the Air Force	6/20/84
2020610	Management of Advance Payments to Military Members for Permanent Change of Station Moves and Overseas Station Housing Allowance	3/1/84
2040290*	TR-1 Acquisition and Logistics Support	4/9/84
210-4-15	Management of Basic Allowance for Quarters and Variable Housing Allowance (ADSN 503700) Bolling AFB DC	6/7/84
210-4-17	Accounting and Finance (ADSN 503700), Management of Paying and Collecting, Det 1 76ALD, Bolling AFB DC	7/5/84

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REPORT NO.	TITLE	DATE ISSUED
210-4-18*	Management of USAF Intelligence Contingency Funds, Assistant Chief of Staff, Intelligence, FY 83-2, 83-3, and 83-4	7/13/84
210-4-20	Management of Air Force Confidential Investigative Contingency Funds, AFOSI District 4, Andrews AFB DC	8/13/84
210-4-21*	Management of Intelligence Contingency Funds, Attache Affairs	8/30/84
225-4-05	Accounting and Finance (ADSN 5039), Management of Paying and Collecting Area, Griffiss AFB NE	4/12/84
225-4-07	Logistics Materiel Control Activity, Control of Material and Equipment, Rome Air Development Center, Griffiss AFB NY	6/26/84
235-4-14	Review of Firm Fixed Price Level of Effort Contracting, Air Force Geophysics Laboratory, Hanscom AFB MA	4/2/84
235-4-16	Foreign Military Sales Administrative Budget Electronic Systems Division, Hanscom AFB MA	4/9/84
235-4-18	Review of Firm Fixed Price Level of Effort Contracting, Solid State and Electro-Magnetic Sciences Divisions, Rome Air Development Center, Hanscom AFB MA	5/9/84
235-4-20	Review of Firm Fixed Price Level of Effort Contracting, Electronic Systems Division, Hanscom AFB MA	6/4/84
245-4-08	Certification of FY 1983 Accounting Reports, McGuire AFB NJ	3/7/84
245-4-16	Accounting and Finance (ADSN 6662), Cash Accountability Verification, 1605th Military Airlift Support Wing, Lajes Field, Azores	7/18/84
245-4-18	Accounting and Finance (ADSN 5282), Cash Accountability Verification, 438th Military Airlift Wing, McGuire AFB NJ	8/15/84
250-4-11	Management of Air Force Confidential Investigative Contingency Funds, AFOSI District 1, Pease AFB NH	5/18/84
250-4-14	Accounting and Finance Activity (ADSN 676800) — Accountability Verification, Long AFB ME	6/15/84
250-4-18	Accounting and Finance (ADSN 664500) Cash Accountability Verification, Pease AFB NH	8/23/84
255-4-09	Followup of the Base and Installation Security System Program, Plattsburgh AFB NY	5/11/84

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265-4-32	Accounting and Finance (ADSN 5956), Management of the Paying and Collecting Area, Aeronautical Systems Division, Wright-Patterson AFB OH	4/2/84
265-4-33	Accounting and Finance (ADSN 5991), Management of the Paying and Collecting Area, 2803 Air Base Group, Newark AFS OH	4/2/84
265-4-34	Followup of Word Processing Equipment Management, 2750th Air Base Wing, Wright-Patterson AFB OH	4/3/84
265-4-36	Management of Special Morale and Welfare Funds at Headquarters Air Force Logistics Command, Wright-Patterson AFB OH	5/9/84
265-4-37	Review of Internal Controls Over Material and Equipment Items in the 4950th Test Wing, ASD, Wright-Patterson AFB OH	6/7/84
265-4-39	Accounting and Finance (ADSN 5030), Management of the Paying and Collecting Area, 2750th Air Base Wing, Wright-Patterson AFB OH	6/15/84
265-4-41	Management of Air Force Confidential Investigative Contingency Funds, AFOSI District 5, Wright-Patterson AFB OH	6/18/84
265-4-42	Review of Internal Controls Over Material and Equipment Items in the Aero Propulsion Laboratory, ASD, Wright-Patterson AFB OH	6/21/84
265-4-43	Accounting and Finance (ADSN 5956), Management of the Paying and Collecting Area, Aeronautical Systems Division, Wright-Patterson AFB OH	7/6/84
265-4-46	Followup of Contractor Management System Evaluation Program, AFPRO General Electric Company (DET 28) Evendale OH	8/1/84
265-4-47	Management of Intelligence Contingency Funds, Foreign Technology Division, Wright-Patterson AFB OH	8/15/84
265-4-48	DoD-Wide Audit of the Reporting of Accounts Receivable Due from the Public, HQ AFIC, Wright-Patterson AFB OH	8/20/84
3010212	Reclamation of Excess Aircraft Engines	6/11/84
3010213	Base-Level Management of War Readiness Spares Kits/Base-level Self-Sufficiency Spares	7/2/84
3010610	Tank Truck Requirements and Use of Hydrant Systems	6/14/84

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REPORT NO.	TITLE	DATE ISSUED	REPORT NO.	TITLE	DATE ISSUED
3020114	Management of Appropriated Fund Support for Morale, Welfare, and Recreation Activities	5/8/84	3070311	Control of Government Transportation Requests and Refunds	5/9/84
3020115	Automatic Data Processing Sharing Program - Reimbursements	6/1/84	3100110	Determination and Validation of Military Construction Program Requirements	3/2/84
3020116	Billing Non-Air Force Customers for Research, Development, Test, and Evaluation Services	4/26/84	3110119*	Followup Audit, Management of Checkered Flag Deployments	6/8/84
3020117	Review of Internal Controls Over Retiree/Annuitant Pay System Base-Level Inputs	3/21/84	3120114	Financing Small Computer Systems	3/23/84
3020118	Adequacy of Controls for Operating Centrally Managed Allotments	3/12/84	3120115	Review of Internal Controls for Small Computer Systems	6/11/84
3020119	Certification of Fiscal Year 1983 Accounting Reports	6/29/84	3120117	Air Force Small Computer Software	6/8/84
3020120	Evaluation of the Air Force Internal Control Review Program	6/1/84	3120118	Recoverable Consumption Item Requirements System File Maintenance	4/23/84
3030114	Followup Audit - Air Force Depot and Field Manufacture of Parts and Equipment	3/12/84	3130110	Cooperative Logistics Supply Support Arrangements	4/5/84
3030215	Management of Flow Times and Floating Stock for Engines in Depot Repair	6/29/84	3130111	Air Force Management of Foreign Military Sales Reports of Discrepancy	6/1/84
3030290	Air-Launched Cruise Missile Maintenance Support	7/26/84	3160111	Use of Commercially Rented Vehicles During Official Travel	7/2/84
3030313	Review of the PACAF Centralized Intermediate Logistics Support Concept	8/8/84	4010215	Requirements Computations for Spare Parts Affected by Modification Programs	8/15/84
3030420	Transition and Transfer of the B-52 Offensive Avionics System	4/11/84	4030117	Review of the Support Equipment Acquisition and Control System	7/10/84
3040115	Review of Test Contracts for Food Service Attendant Services	6/13/84	4030324*	Wartime Intermediate Maintenance Support Planning in PACAF	8/10/84
3040290	Requirements Issues in the Next Generation Trainer Aircraft (T-46) Program	8/15/84	404-4-09	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, Beale AFB CA	4/20/84
3040292*	Maverick Operational and Training Missile Requirements	8/10/84	404-4-16	Accounting and Finance (5965), Management of Paying and Collecting Area, Beale AFB CA	7/27/84
3040395*	B-1B Offensive Avionics System	7/25/84	4040280	B-1B Component Breakout	8/6/84
3040522	Management of the Greenland Base Service Contract	8/29/84	4040310	Pricing Replenishment Spare Parts	5/8/84
3050112	Fiscal Years 1981 and 1982 A-76 Commercial Activities Decisions	7/25/84	4040411	Pricing Initial Spare Parts	4/23/84
3050113	Management of the Federal Employees' Compensation Act	6/8/84	4050217	Review of the Effectiveness of the Iranian FMS Program in AFLC	4/25/84
3070212	Management of System 463L Air Cargo Pallets and Nets	8/22/84	4140220	Management of Air Force Official Representation Funds	7/12/84
			420-4-05	Small Computer Software Acquisition, Development, and Sharing Efforts, Edwards AFB CA	4/12/84
			420-4-07	Review of Internal Controls Over Material and Equipment Items in the Air Force Rocket Propulsion Laboratory, Logistics Management Control Activity	5/15/84

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420-4-08	Review of Internal Controls Over Material and Equipment Items in the Air Force Flight Test Center, Logistics Management Control Activity	5/25/84
420-4-09	Accounting and Finance (ADSN 669800) Management of Paying and Collecting, Edwards AFB CA	5/25/84
422-4-11	Air Force Small Computer Software Acquisition, Development, and Sharing Efforts, Elmendorf AFB AK	3/1/84
422-4-12	Retention Period, F-15 Initial Spares Support List, 21st Tactical Fighter Wing, Elmendorf AFB AK	4/11/84
422-4-17	Accounting and Finance (ADSN 8461), Management of Paying and Collecting Area, 343d Tactical Fighter Wing, Eielson AFB AK	7/24/84
422-4-18	Management of Minor Construction Projects, 21st Tactical Fighter Wing, Elmendorf AFB AK	7/27/84
428-4-24	Accounting and Finance (ADSN 664700), Management of Paying and Collecting Area, Malmstrom AFB MT	7/10/84
435-4-15	Management of Service Engineering Contracts, Hill AFB UT	3/8/84
435-4-16	Phase Down of Iranian Foreign Military Sales Program in Air Force Logistics Command, Hill AFB UT	3/9/84
435-4-17	Foreign Military Sales Administrative Budget, Hill AFB UT	4/2/84
435-4-18	Management of the Maverick Missile System, Hill AFB UT	4/2/84
435-4-22	Management of unused Government Transportation Requests, Hill AFB UT	4/27/84
435-4-25	Management of Excesses Generated by Weapon System Modifications, Hill AFB UT	5/11/84
435-4-29	Accounting and Finance (ADSN 5044) Management of Paying and Collecting Area, Hill AFB UT	6/29/84
435-4-32	Management of F-16 Spares Pricing Agreements, Hill AFB UT	7/12/84
435-4-36	Management of the F-16 Aircraft Initial Spares Support Lists, Hill AFB UT	8/11/84
440-4-10	Accounting and Finance, Management of Paying and Collecting, Los Angeles AFS CA	7/30/84

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446-4-09	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, Williams AFB AZ	4/2/84
446-4-10	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, Luke AFB AZ	4/10/84
446-4-14	Accounting and Finance (ADSN 5261), Management of Paying and Collecting, Area, Luke AFB AZ	5/9/84
446-4-17	Accounting and Finance (ADSN 6654), Management of Paying and Collecting, Area, Williams AFB AZ	6/20/84
448-4-09	Accounting and Finance (ADSN 661600), Management of Paying and Collecting Area, Mather AFB CA	3/7/84
448-4-13	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, Mather AFB CA	4/18/84
448-4-17	Accounting and Finance (ADSN 661600), Management of Paying and Collecting Area, Mather AFB CA	8/3/84
450-4-17	Accounting and Finance, Management of Paying and Collecting Area, McChord AFB WA	8/17/84
452-4-22	Management of the Logistics Civilian Career Enhancement Program, McClellan AFB CA	4/2/84
452-4-23	Management of Initial Spares Support Lists, McClellan AFB CA	4/2/84
452-4-24	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, McClellan AFB CA	4/17/84
452-4-25	Management of Recoverable Spares Affected by Weapon System Modifications, McClellan AFB CA	5/11/84
452-4-26	Air Force Followup on Defense Contract Audit Agency Recommendations, McClellan AFB CA	5/29/84
452-4-29	Multiyear Procurement, McClellan AFB CA	6/25/84
452-4-32	Accounting and Finance Office (ADSN 5032) Management of Paying and Collecting, McClellan AFB CA	7/23/84
452-4-33	Accounts Receivable Due from the Public, McClellan AFB CA	7/27/84
452-4-36	Management of Wholesale Inventory Adjustment, McClellan AFB CA	8/7/84
456-4-09	Accounting and Finance (ADSN 6718) Management of Paying and Collecting Area, Nellis AFB NV	4/4/84

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456-4-11	Review of Military Family Housing Assignment and Occupancy Data System, Nellis AFB NV	4/11/84
458-4-04	Accounting and Finance (ADSN 672300), Management of Paying and Collecting Area, March AFB CA	3/23/84
458-4-05	Accounting and Finance (ADSN 503600) - Management of Paying and Collecting Area, Norton AFB CA	4/13/84
458-4-07	Air Force Small Computer Software Acquisition, Development, and Sharing Efforts, March AFB, CA	4/16/84
458-4-10	Management of Air Force Official Representation Funds, Norton AFB CA	5/4/84
458-4-11	Management of Air Force Confidential Investigative Contingency Funds, Norton AFB CA	6/21/84
468-4-10	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, Travis AFB CA	4/18/84
468-4-15	Air Force Followup on Defense Contract Audit Agency Recommendations, Air Force Plant Representative Office, Detachment 13, AFCEMD, Chemical Systems Division, San Jose CA	7/12/84
472-4-04	Use of Commercially Rented Vehicles During Official Travel, Space and Missile Test Organization, Vandenberg AFB CA	3/5/84
472-4-05	Accounting and Finance (ADSN 5941), Management of Paying and Collecting Area, 4392 AEROSG, Vandenberg AFB CA	4/2/84
472-4-06	Fiscal years 1981 and 1982 A-76 Commercial Activities Decision, 4392 AEROSG, Vandenberg AFB CA	6/21/84
480-4-16	Management of Intelligence Contingency Funds, APO San Francisco	8/15/84
502-4-13	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, 67th Tactical Reconnaissance Wing, Bergstrom AFB TX	4/4/84
502-4-16	Accounting and Finance (ADSN 6684) Management of Paying and Collecting, 67 TRW, Bergstrom AFB TX	4/16/84
502-4-21	Management of Minor Construction Projects, 67th Tactical Reconnaissance Wing, Bergstrom AFB TX	7/19/84
503-4-10	Accounting and Finance (ADSN 6749), Management of Paying and Collecting Area, 64th Fighter Training Wing, Reese AFB TX	4/10/84

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503-4-13	Accounting and Finance (ADSN 6694), Management of Paying and Collecting Area, 27th Tactical Fighter Wing, Cannon AFB NM	6/4/84
504-4-10	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, 78BMW, Carswell AFB TX	4/27/84
508-4-07	Accounting and Finance (ADSN 6755), Management of Paying and Collecting Area, TCHTW, Goodfellow AFB TX	4/4/84
508-4-08	Followup of Selected Aspects of the Base and Installation Security System Program 96 BMW, Dyess AFB TX	4/5/84
508-4-11	Accounting and Finance (ADSN 6630), Management of Paying and Collecting Area, 96 BMW, Dyess AFB TX	5/2/84
512-4-18	Accounting and Finance (ADSN 5966), Management of Paying and Collecting Area, 321st Strategic Missile Wing, Grand Forks AFB ND	8/15/84
512-4-20	Accounting and Finance (ADSN 5966), Management of Paying and Collecting Area, 321st Strategic Missile Wing, Grand Forks AFB ND	8/29/84
513-4-06	Accounting and Finance (ADSN 6748), Management of Paying and Collecting, Holloman AFB NM	4/2/84
513-4-08	Review of Internal Controls Over Material and Equipment Items in the 6585th Group Logistics Materiel Control Activity, Holloman AFB NM	4/13/84
515-4-15	Service Engineering Contracts, Kelly AFB TX	3/15/84
515-4-16	Reclamation of Excess Aircraft Engines, Kelly AFB TX	4/2/84
515-4-17	Management of Electronic Security Command Special Morale and Welfare (SM&W) Expenditures, Kelly AFB TX	4/16/84
515-4-18	Followup Review - Phase-Down of the Iranian FMS Program in AFLC, Kelly AFB TX	4/17/84
515-4-19	Management of Special Morale and Welfare Expenditures, Kelly AFB TX	5/7/84
515-4-20	Foreign Military Sales Administrative Budget, Kelly AFB TX	5/25/84

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515-4-21	Depot Engine Repair Cycle and Flow time Standards - Floating Stock, Kelly AFB TX	6/19/84
515-4-22	Management of Initial Spares Support Lists, Kelly AFB TX	7/6/84
515-4-23	Foreign Military Sales Engine Overhaul Billing, Kelly AFB TX	7/11/84
515-4-24	Followup of Management of Word Processing Equipment, Kelly AFB TX	7/12/84
517-4-10	Review of Internal Controls Over Material and Equipment Items in the Air Force Weapons Laboratory Supported by a Logistics Management Control Activity, Kirtland AFB NM	4/6/84
517-4-13	Review of Firm Fixed Price Level of Effort Contracting, Kirtland AFB NM	5/30/84
518-4-16	Air Force Policies, Procedures, and Practices for the Security of Automated Systems, AFAFC, Denver CO	5/30/84
518-4-18	Accounting and Finance (ADSN 380100) Management of Paying and Collecting Area, AFAFC, Denver CO	6/1/84
518-4-20	Management of Air Force Confidential Investigative Contingency Funds, AFOSI District 14, Lowry AFB CO	6/14/84
518-4-21	Accounting and Finance (ADSN 504000) Management of the Paying and Collecting Area, Lowry AFB CO	6/29/84
518-4-22	Air Force Followup on Defense Contract Audit Agency Recommendations, Air Force Plant Representative Office, Martin Marietta Denver Aerospace, Denver CO	7/27/84
520-4-04	Accounting and Finance (ADSN 597200) Management of Paying and Collecting Area, 91st Strategic Missile Wing, Minot AFB ND	3/1/84
522-4-33	Management of Rated Position Identifier Code 8 Positions, HQ SAC, Offutt AFB NE	7/2/84
522-4-34	Facility Energy Management and Control Programs, 3902 ABW, Offutt AFB NE	7/20/84
522-4-36	Accounting and Finance (ADSN 6771) Management of Paying and Collecting Area, 351 SMW, Whiteman AFB MO	7/31/84
523-4-09	Accounting and Finance (ADSN 676100) Management of Paying and Collecting Area, Peterson AFB CO	5/11/84

REPORT NO.	TITLE	DATE ISSUED
523-4-12	Surveillance of the Greenland Base Services Contract with Danish Arctic Contractors, Thule and Sondrestrom ABs, Greenland	6/15/84
524-4-26	Foreign Military Sales Administrative Budget, HQ ATC, Randolph AFB TX	4/2/84
524-4-29	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance, AFMTC, Lackland AFB TX	5/25/84
524-4-30	Foreign Military Sales Administrative Budget, Reimbursements, 2015th Communications Squadron, Randolph AFB TX	5/25/84
524-4-31	Billing for Automated Data Processing Support, HQ ATC, Randolph AFB TX	5/31/84
524-4-32	Foreign Military Sales Administrative Budget, Reimbursements, 12 FTW, Randolph AFB TX	5/31/84
524-4-33	Foreign Military Sales Administrative Budget, HQ ATC, Randolph AFB TX	6/14/84
524-4-34	Management of Basic Allowance for Quarters and Variable Housing Allowance, 12 FTW, Randolph AFB TX	6/18/84
524-4-38	Management of Air Force Confidential Investigative Contingency Funds, AFOSI District 10, Randolph AFB TX	7/6/84
524-4-41	Accounting and Finance (ADSN 525000) Management of Paying and Collecting Area, 12 FTW, Randolph AFB TX	7/16/84
524-4-45	Accounting and Finance (ADSN 673600) Management of Paying and Collecting 47 FTW, Laughlin AFB TX	7/27/84
528-4-08	Accounting and Finance (ADSN 5264) Management of Paying and Collecting Area, Sheppard AFB TX	5/14/84
528-4-09	Accounting and Finance (ADSN 5264) DoD-Wide Audit of Reporting Accounts Receivable Due from the Public, Sheppard AFB TX	6/18/84
528-4-10	Air Force Small Computer Software Acquisition, Development, and Sharing Efforts, Sheppard AFB TX	6/19/84
528-4-13	Base Civil Engineering Self-Help Program, Sheppard AFB TX	7/24/84
528-4-15	Support for Aircrew Training Devices Managed by Air Force Logistics Command, 443 Military Airlift Wing, Altus AFB OK	8/24/84



REPORT NO.	TITLE	DATE ISSUED
600-4-13	DoD-Wide Audit of Reporting Accounts Receivable Due from the Public, Ramstein AB GE	4/26/84
600-4-14	Management of Commissary Front-End Operations, Ramstein AB GE	4/26/84
600-4-15	Management of Intelligence Contingency Funds, Det 11, ESAA APO NY	6/18/84
600-4-20	Management of Intelligence Contingency Funds, HQ ESAA, Lindsey AS GE	7/13/84
600-4-22	Management of Intelligence Contingency Funds, Det 3, Foreign Technology Division, Lindsey AS GE	7/31/84
600-4-23	Management of Intelligence Contingency Funds - HQ USAFE/IN, Ramstein AB GE	7/31/84
600-4-25	Accounting and Finance, ADSN 8456, Management of Paying and Collecting, Zweibruecken AB GE	8/16/84
600-4-26	Management of Intelligence Contingency Funds, Det 12, ESAA APO NY	8/16/84
600-4-28	Management of Commissary Meat Department Operations, Sembach AB, GE	8/17/84
600-4-29	Management of Commissary Meat Department Operations, Ramstein AB GE	8/17/84
600-4-30	Management of Commissary Meat Department Operations, 39TACG, Incirlik AB Turkey	8/17/84
602-4-15	Accounting and Finance (ADSN 5984), Management of Paying and Collecting Area, RAF Chicksands, England	7/20/84
602-4-16	Accounting and Finance (ADSN 675700) Management of Paying and Collecting, RAF Alconbury, England	7/20/84
604-4-14	Management of Commissary Meat Department Operations, Bitburg AB GE	5/22/84
604-4-16	Accounting and Finance (ADSN 844200) Management of Paying and Collecting Area, Spangdahlem AB GE	6/13/84
604-4-19	Selected Maintainability and Supply Support Aspects of the F100 Engine Program, Bitburg AB GE	8/23/84
604-4-20	Accounting and Finance (ADSN 674700) Management of Paying and Collecting Area, Bitburg AB GE	8/30/84
605-4-01	Management of Air Force Confidential Investigative Contingency Funds, RAF Upper Heyford, England	7/12/84

REPORT NO.	TITLE	DATE ISSUED
606-4-07	Management of the Base Level Self-Sufficiency Spares, 50th Tactical Fighter Wing, Hahn AB Germany	5/11/84
608-4-08	Accounting and Finance (ADSN 5938) Management of Paying and Collecting Area, Incirlik AB Turkey	3/2/84
608-4-09	Accounting and Finance (ADSN 6593), Management of Paying and Collecting Area, Hellenikon AB Greece	4/2/84
608-4-10	Accounting and Finance (ADSN 6593), Management of Paying and Collecting Area, 7206 ABG, Hellenikon AB Greece	4/4/84
608-4-17	Management of Air Force Confidential Investigative Contingency Fund, Ankara AS, Turkey	6/18/84
608-4-17	Management of Air Force Confidential Investigative Contingency Fund, Ankara AS, Turkey	6/18/84
610-4-15	Management of Commissary Meat Department Operation, RAF Bentwaters, England	5/2/84
610-4-18	Accounting and Finance (ADSN 659700), Payments for Commissary Meat Purchases RAF Lakenheath, England	5/25/84
610-4-20	Accounting and Finance (ADSN 844100) Cash Verification and Physical Security RAF Mildenhall, England	6/22/84
610-4-21	Management of Commissary Meat Department Operation, RAF Lakenheath, England	7/3/84
612-4-22	Accounting and Finance (ADSN 6663), Management of Paying and Collecting Area, Rhein-Main AB GE	6/12/84
612-4-25	Management of Air Force Confidential Investigative Contingency Funds, Lindsey AS, GE	7/6/84
612-4-26	Accounting and Finance (ADSN 6663) Management of Paying and Collecting Area, Rhein-Main AB GE	7/27/84
614-4-15	Accounting and Finance (ADSN 6776) Management of Paying and Collecting Area, Torrejon AB, Spain	6/19/84
614-4-17	Accounting and Finance, Management of Paying and Collecting Area, Aviano AB, Italy	6/27/84
616-4-13	Accounting and Finance (ADSN 599300), Management of Paying and Collecting, RAF Upper Heyford, England	6/29/84
700-4-10	Management of Intelligence Contingency Funds, Headquarters Pacific Air Forces, Hickam AFB HI	3/19/84

REPORT NO.	TITLE	DATE ISSUED
700-4-16	Review of Security Police Capabilities for Protecting Air Bases During Contingencies, Hickam AFB HI	7/24/84
702-4-05	Accounting and Finance (ADSN 6636), Cash Verification and Funds Storage and Safeguarding, Andersen AFB Guam	3/8/84
702-4-09	Accounting and Finance (ADSN 6636), Cash Verification and Cashier Operation, Andersen AFB Guam	4/4/84
704-4-09	Accounting and Finance (ADSN 6672), Management of Paying & Collecting Area, Clark AB R P	4/26/84
704-4-14	DoD-Wide Audit of Reporting Accounts Receivable Due From the Public, Clark AB, ADSN 667200	6/25/84
706-4-04	Air Force Management of R5/R9 Tank Trucks and Hydrant Systems, Kadena AB, Japan	3/20/84
706-4-05	Review of PACAF's Centralized Intermediate Logistics Concept, PACAF Logistics Support Center, Kadena AB Japan	4/25/84
706-4-06	Accounting and Finance (ADSN 6709), Management of Paying and Collecting Area, Kadena AB Japan	5/18/84
706-4-08	Review of PACAF's Centralized Intermediate Logistics Concept, 313th Air Division, Kadena AB Japan	6/28/84
706-4-09	Accounting and Finance (ADSN 6709), Management of Paying and Collecting Area, Kadena AB, Japan	7/31/84
706-4-10	Management of War Readiness Spares Kits (FB 5270), Kadena AB Japan	7/3/84
706-4-11	Management of War Readiness Spares Kits (FB 5270), Kadena AB Japan	7/10/84
708-4-04	Management of War Readiness Spares Kits/ Base Level Self Sufficiency Spares, Kunsan AB Korea	3/16/84
708-4-08	Accounting and Finance (ADSN 5395), Management of Paying and Collecting Area, Kunsan AB Korea	4/25/84
710-4-13	Accounting and Finance (ADSN 6778), Management of Paying and Collecting Section, Osan AB Korea	7/30/84
712-4-09	Accounting and Finance (ADSN 598100), Management of Paying and Collecting Area, Misawa AB Japan	4/09/84
712-4-13	Accounting and Finance (ADSN 6688), Management of Paying and Collecting Area, Yokota AB Japan	6/6/84

REPORT NO.	TITLE	DATE ISSUED
810-4-06	Security of Automated Systems, Barksdale AFB LA	4/11/84
810-4-15	Accounting and Finance (ADSN 6730), Management of Paying and Collecting Area, England AFB LA	7/30/84
810-4-17	Accounting and Finance (ADSN 6671), Management of Paying and Collecting Area, Barksdale AFB LA	8/3/84
810-4-18	Accounting and Finance (ADSN 6730), Management of Paying and Collecting Area, England AFB LA	8/3/84
815-4-14	Accounting and Finance (ADSN 5283), Management of Paying and Collecting Area, Charleston AFB SC	5/2/84
820-4-20	Review of Internal Controls Over Materiel and Equipment Items in the Air Force Armament Laboratory Logistics Materiel Control Activity, Armament Division, Eglin AFB FL	4/16/84
820-4-31	Accounting and Finance Office (ADSN 6673), Management of Paying and Collecting Area, Arnold AFS TN	8/17/84
820-4-34	Air Force Application of Multiyear Procurement Concepts, Eglin AFB FL	8/28/84
820-4-35	Audit Followup, Selected Maintainability and Supply Support Aspects of the F100 Engine Program, 33rd Tactical Fighter Wing, Eglin AFB FL	8/28/84
825-4-16	Management of Air Force Confidential Investigative Contingency Funds District 8, Maxwell AFB AL	4/18/84
825-4-26	Accounting and Finance (ADSN 5042), Management of Paying and Collecting Area, Maxwell AFB AL	8/3/84
825-4-31	Accounting and Finance (ADSN 5957), Management of Paying and Collecting Area, Columbus AFB MS	8/17/84
835-4-13	DoD-Wide Audit of Reporting Accounts Receivables Due from the Public, Keesler AFB MS	4/6/84
840-4-09	Management of War Readiness Spares Kits, Langley AFB VA	3/16/84
840-4-10	Foreign Military Sales Administrative Budget, Langley AFB VA	4/2/84
840-4-12	Accounting and Finance (ADSN 6707), Management of Paying and Collecting Area, Langley AFB VA	4/2/84
840-4-14	Policies, Procedures, and Practices for the Security of Automated Systems, Langley AFB VA	4/27/84

REPORT NO	TITLE	DATE ISSUED
840-4-17	Management of Selected Aspects of Basic Allowance for Quarters and Variable Housing Allowance	5/4/84
840-4-19	Accounting and Finance (ADSN 6707) Management of Paying and Collecting Area, Langley AFB VA	5/14/84
845-4-20	Accounting and Finance - Management of Paying and Collecting Area (ADSN 6615), 314 TAW, Little Rock AFB AR	5/22/84
845-4-25	Accounting and Finance - Management of Paying and Collecting Area (DSSN 6615), 314 TAW, Little Rock AFB AR	7/27/84
845-4-27	Accounting and Finance - Management of Paying and Collecting Area (DSSN 8078), 97 LAMW, Blytheville AFB AR	8/2/84
850-4-17	Accounting and Finance (ADSN 672900), Management of Paying and Collecting Area, Moody AFB GA	6/8/84
855-4-12	Small Computer Software Management, Patrick AFB FL	5/16/84
855-4-13	Accounting and Finance (ADSN 662400), Management of Paying and Collecting Area, Patrick AFB FL	6/15/84
855-4-16	Management of Air Force Confidential Investigative Contingency Funds, Patrick AFB FL	8/15/84
860-4-11	Service Engineering Contracts, Robins AFB GA	3/5/84
860-4-13	Management of System 463L Air Cargo Pallets and Nets, Robins AFB GA	3/20/84
860-4-14	Management of System 463L Vehicles, Robins AFB GA	3/20/84
860-4-15	Followup Review, Phase Down of the Iranian Foreign Military Sales Program In AFIC, Robins AFB GA	4/30/84
860-4-21	Management of Wholesale Inventory Adjustments, Robins AFB GA	8/16/84
865-4-33	Accounting and Finance (ADSN 6765) Management of Paying and Collecting Area, Pope AFB NC	7/6/84
870-4-16	Management of War Readiness Spares Kits/ Base Self Sufficiency Spares	4/6/84
870-4-18	Accounting and Finance (ADSN 5281), Management of Paying and Collecting, 363 LEW, Shaw AFB SC	5/9/84
875-4-11	Management of the Federal Employees' Compensation Act Program, OC-ALC, Tinker AFB OK	3/15/84

REPORT NO.	TITLE	DATE ISSUED
875-4-15	Service Engineering Contracts, OC-ALC, Tinker AFB OK	4/24/84
875-4-16	Utilization of Iranian Assets in ALC Holding Account, OC-ALC, Tinker AFB OK	5/4/84
875-4-18	Review of Replenishment Spare Parts Procurement, OC-ALC, Tinker AFB OK	5/18/84
875-4-19	Management of Wholesale Inventory Adjustments, OC-ALC, Tinker AFB OK	5/24/84
875-4-21	Management of Initial Spares Support Lists, OC-ALC, Tinker AFB OK	6/6/84
875-4-22	Management of Initial Spares Support Lists, Tinker AFB OK	6/8/84
875-4-25	Base Level Contracting, OC-ALC, Tinker AFB OK	7/3/84
875-4-26	Management of Air Force Confidential Investigative Contingency Funds, Tinker AFB OK	7/16/84
880-4-06	Operational and Logistics Requirement for Full Scale Aerial Targets, Tyndall AFB FL	8/21/84
<b>Military Exchange Systems Audit</b>		
<b>Navy Resale and Services Support Office</b>		
83-54	Naval Air Station, Meridian, MS	3/14/84
83-53	Naval Air Station, Memphis, TN	4/4/84
84-03	Naval Support Activity, New Orleans, LA	4/9/84
84-01	Naval Air Station, Corpus Christi, TX	4/29/84
84-02	Naval Air Station, Dallas, TX	4/30/84
84-23	Military Sealift Command, Pacific, Oakland, CA	5/16/84
84-21	Naval Air Station, Key West, FL	5/29/84
84-22	Navy Resale and Services Support Office, Field Support Office, Oakland, CA	5/29/84
84-06	Naval Station, Mare Island, CA	6/7/84
84-11	Naval Air Station, Moffett Field, CA	6/11/84
84-07	Naval Postgraduate School, Monterey, CA	6/11/84
84-05	Naval Air Station, Alameda, CA	6/11/84
84-19	Navy Resale and Services Support Office, Field Support Office, Mechanicsburg, PA	6/25/84
84-14	Naval Station, Philadelphia, PA	7/17/84

REPORT NO.	TITLE	DATE ISSUED
84-17	Naval Medical Command, National Capital Region, Bethesda, MD	7/10/84
84-16	Naval Air Station, Patuxent River, MD	7/12/84
<b>Marine Corps Exchange Service</b>		
MCX 3121	Guantanamo Bay, Cuba	3/2/84
MCX 0911	Kaneohe Bay, HI	3/9/84
MCX 0101	MCX Fund, Quantico, VA	4/9/84
MCX 0161	Parris Island, SC	4/11/84
MCX 0151	Twentynine Palms, CA	4/17/84
MCX 0221	Cherry Point, NC	4/23/84
MCX 0231	El Toro, CA	4/24/84
MCX 3141	Panama	4/26/84
MCX 0111	Henderson Hall, VA	5/15/84
MCX 0271	Yuma, AZ	5/18/84
MCX 0181	Albany, GA	5/25/84
MCX 1451	Iwakuni, Japan	5/29/84
MCX 1111	Camp Elmore, VA	6/6/84
MCX 0171	San Diego, CA	7/3/84
MCX 0191	Barstow, CA	7/6/84
MCX 0121	Quantico, VA	7/19/84
MCX 0131	Camp Lejeune, NC	7/26/84

REPORT NO.	TITLE	DATE ISSUED
<b>AAFES</b>		
81-33	Oversea Exchange/Distribution Region Accounts Payable Hold File	7/84
83-13	Kaiserslautern Area Exchange	3/84
83-16	Stuttgart Area Exchange	6/84
83-17	Nuernberg Area Exchange	6/84
83-28	Field Level Accounting, Workload Reduction and Simplification	9/84
83-32	Southeast Exchange Region	5/84
83-35	Eastern Distribution Region	5/84
83-45	Western Distribution Region	5/84
83-51	Computer Systems Integrity	6/84
83-52	AAFES Sales Promotion Program	7/84
84-04	Services Contracts	8/84
84-06	Guam Area Exchange	8/84
84-07	Hawaii Area Exchange	9/84
84-08	Philippines Area Exchange	9/84
84-09	Terminal Audit of the St. Louis Motion Picture Equipment Repair and Maintenance Activity	7/84
84-22	AAFES-Europe Automotive Product Pricing	8/84
84-25	Capitol Exchange Region Followup	6/84

## APPENDIX B DEBT COLLECTION

### REPORT ON STATUS OF ACCOUNTS AND LOANS RECEIVABLE<sup>1</sup> DUE FROM THE PUBLIC AS OF JUNE 30, 1984 (\$ rounded to nearest thousand)

	<u>Accounts Receivable</u>	<u>Loans Receivable</u>	<u>Other Receivables</u>
<b>SECTION I: RECONCILIATION</b>			
1. Beginning Receivables	\$692,210	\$ 861	\$ 73,069
2. Activity			
a. New receivables during the fiscal year	1,919,315	0	7,811
b. Repayments on receivables	-1,923,429	0	-25,345
c. Reclassified amounts	-10,402	550	7,063
d. Amounts written off	-28,760	0	0
3. Ending Receivables	<b>\$648,934</b>	<b>\$ 1,411</b>	<b>\$ 62,598</b>
<b>SECTION II: OUTSTANDING RECEIVABLES</b>			
1. Current Receivables			
a. Not delinquent	\$271,827	0	-
b. Delinquent			-
1. 1-30 days	46,098	0	-
2. 31-90 days	45,477	0	-
3. 91-180 days	84,553	0	-
4. 181-360 days	34,372	0	-
5. Over 360 days	166,607	\$ 857	-
Total Delinquent Receivables	<b>\$377,107</b>	<b>\$ 857</b>	-
2. Noncurrent Receivables	-	554	62,598
3. Total Receivables	<b>\$648,934</b>	<b>\$1,411</b>	<b>\$62,598</b>
<b>SECTION III: ALLOWANCES AND WRITE-OFFS</b>			
1. Total allowances for uncollectible accounts, beginning of period	\$ 35,759	-	\$ 5,748
2. Total actual write-offs during the fiscal year	-28,760	-	0
3. Adjustment to allowance account for the period (provision for loss expense)	42,887	-	1,714
4. Total Allowances, End of Period	<b>\$49,886</b>	-	<b>\$ 7,462</b>

<sup>1</sup>This information was provided by the ASD(C).



	<u>Accounts Receivable</u>	<u>Loans Receivable</u>	<u>Other Receivables</u>
<b>SECTION IV: ADMINISTRATIVE ACTIONS</b>			
1. Delinquent Accounts Referred to GAO			
a. Number	71	—	2
b. Amount	\$3,587	—	\$ 89
2. Delinquent Accounts Referred to Justice			
a. Number	785	—	0
b. Amount	\$36,486	—	0

#### **SECTION V: RESCHEDULED RECEIVABLES**

1. Current Rescheduled Receivables			
a. Not delinquent	\$4,887	—	—
b. Delinquent		—	—
1. 1-30 days	175	—	—
2. 31-90 days	172	—	—
3. 91-180 days	141	—	—
4. 181-360 days	124	—	—
5. Over 360 days	436	—	—
<b>Total Delinquent Rescheduled</b>	<b>\$1,048</b>	—	—
2. Noncurrent Rescheduled Receivables	—	—	\$8,348
<b>3. Total Rescheduled Receivables</b>	<b>\$5,935</b>	—	<b>\$8,348</b>

#### **SECTION VI: INTEREST AND PENALTIES ON DELINQUENCIES**

1. Beginning Interest and Penalties	\$19,980	—	\$ 50
2. Activity			
a. New interest and penalties assessed during the fiscal year	14,950	—	12,029
b. Interest and penalties collected during the fiscal year	-1,090	—	-12,079
c. Interest and penalties written off during the fiscal year	-3,587	—	0
<b>3. Total Interest and Penalties</b>	<b>\$30,253</b>	—	<b>0</b>

#### **SECTION VII: ADDITIONAL DATA**

1. Number of receivables			
a. Not Delinquent	429,198	2	—
b. Delinquent			
1. 1-30 days	65,017	0	—
2. 31-90 days	49,649	0	—
3. 91-180 days	32,734	0	—
4. 181-360 days	31,635	0	—
5. Over 360 days	71,841	0	—
Total Delinquent Receivables	250,876	0	—
2. Number of receivables collected (Fiscal year to date)	732,092	0	—
3. Average rate of interest assessed on delinquent accounts	11.25	0	—

## APPENDIX C

### GLOSSARY OF TERMS

**Article 15:** A punishment imposed upon a military member by his or her commanding officer for a violation of the Uniform Code of Military Justice. Punishment may be a combination of forfeiture or withholding of pay, extra duty, restriction, reprimand and reduction in rank.

**Audit:** The work done by accountants and auditors when they examine financial statements and when they review an activity's compliance with laws and regulations, economy and efficiency of operations and effectiveness in achieving program results.

**Audits of Forward Pricing:** Represent the review and evaluation of estimated future costs of proposed contract prices, proposed contract change orders, estimates to complete redeterminable fixed-price contracts and costs incurred but not yet covered by definitized contracts. These efforts include performance of 'should cost studies' and an evaluation of contractor's estimating methods and procedures. Audit exceptions are generally reported as costs questioned.

**Audits of Incurred Costs:** Represent the review and evaluation of the direct and indirect costs incurred on government contracts and the policies, procedures and practices that influence and control costs. These audits assure that final contract prices are reasonable, and that costs are applicable to the contract and are determined by accepted accounting principles and cost accounting standards.

**Collection:** Amounts that management recovers through billings or off sets against later claims.

**Contract Audit:** Provides accounting and financial advisory services for the negotiation, administration and settlement of contracts and subcontracts in procurement and contract administration activities.

**Conviction:** A finding of guilty made by an authorized court of law for a charged offense.

**Cost Avoidances:** See the definition for Potential Cost Avoidances.

**Defective Pricing Audits:** Public Law 87-653 compliance reviews or defective pricing audits are performed to determine whether the contractor complies with the Truth in Negotiation Act. These audits determine whether contracts that are subject to the law are based on current, complete and accurate cost or pricing data.

**Economies:** Careful and prudent management of resources through actions or decisions which result in savings, cost avoidances or improvements in productivity for a given program level, or decisions to reduce approved program levels in order to reduce costs.

**Effectiveness:** The extent to which an action or activity serves its intended or expected purpose. The degree of performance related to the mission objectives of a system or a program.

**Efficiencies:** Management actions or decisions that achieve accomplishments by changing the manner in which functions are performed and that result in those functions being performed at lower costs or with fewer resources.

**Fine:** A sum of money required to be paid as a punishment or as a penalty for an offense.

**Fraud and Other Unlawful Activity:** Any act of wrongdoing, willful or not, that adversely affects the government's interests. It includes, but is not limited to, acts of dishonesty which contribute to a loss or injury to the government. The following are some examples of fraud or other unlawful activity: falsification of documents, charging personal expenses to government contracts, diversion of government property or funds for unauthorized uses, deceit by suppression of the truth, regulatory or statutory violations, and any attempt or conspiracy to engage in or use the above devices.

**Illegal Acts:** Violations of laws.

**Imputed Costs:** Costs which are not actually incurred in an economic transaction but which are relevant to the decision at hand. Traditional accounting procedures fail to recognize these imputed costs. However, recognition of the economic costs results in better decisions. The most common example of an imputed cost is the inclusion of an interest cost when a company uses internally generated funds for a special project. No actual interest payments are required. But, if the internally generated funds are invested in another manner, interest revenues would be earned. The revenue foregone represents the opportunity cost of undertaking a special project. Thus, imputed costs are a type of opportunity cost.

**Indictment:** A formal written accusation charging one or more persons with the commission of a crime. An indictment is presented by a grand jury to the court when the jury has found, after examining the evidence presented, that there is sufficient reason to hold a trial.

**Inquiry:** Although similar to an investigation (see below), its subject matter is less significant and, therefore, the procedures are less formal. Sworn statements are not required, and the overall coverage is less detailed.

**Inspection:** An examination of a command, activity or function that is conducted to evaluate matters that affect mission performance.

**Internal Audit:** A constructive evaluation of the economy, efficiency and effectiveness with which managerial responsibilities (including financial, operational and support activities) are carried out. In DoD, the function is performed by OAIG (AUD), AAA, NAVAUDSVC and AFAA.

**Internal Review:** An evaluation of command programs, procedures and operations (especially those related to expenditure of funds, use of resources and control of command property, material and supplies) by staff advisors of the commanders of bases, installations, activities or commands.

**Investigation:** The gathering of testimony from witnesses and the documentary and physical evidence to prove or disprove allegations of wrongdoing.

**Investigative Referrals:** Cases that require additional investigative work by another agency. Cases are referred to investigative agencies at federal, state and local levels. A case is considered referred if the other agency accepts primary jurisdiction.

**Management Improvement:** Any action taken to improve the quality and/or timeliness of program performance, increase productivity, control costs or mitigate the adverse aspects of an agency's operations. Management improvement includes descriptions of economies and efficiencies to be achieved and an estimate of dollar savings or cost avoidances that will result when action is taken.

**Monetary Savings:** Amounts of deobligations, budget revisions, reductions or reprogramming that are based on management's commitment to implement recommended improvements in operations and systems.

**Net Savings:** Represent monies recovered or withheld from contractors or reductions in contract amounts based on audit reviews. The computations of savings amounts vary depending on the type of contract and whether the audit is on a preaward or a post award basis. The amounts shown are actual savings to the government as supported by negotiation memoranda or other similar documentation.

**Nonsubstantive Matters:** Telephone calls or letters which can be categorized as generalized accusations, general suggestions, obvious nuisance or crank calls and letters or cases where insufficient information is provided or is available to initiate an inquiry.

**Operation Audits:** An evaluation of an organizational unit or function within a contractor's business to determine whether efficient and economical methods are employed in that entity's performance of government work. Such an audit involves the review and evaluation of policies, procedures, controls and actual performance to assure that a reasonable level of cost efficiency is achieved in accomplishing contract requirements. Audit exceptions are reported as cost avoidances when identified with unnecessary or inefficient operations. When the same audits disclose instances of mischarging or improper accounting, the audit exceptions are reported as costs questioned.

**Penalty:** A punishment fixed by law or imposed by an administrative action.

**Potential Cost Avoidance:** Result when reductions are made in the amount of resources needed to accomplish an assigned mission or function. For this report, potential cost avoidances represent estimated dollar costs that may be avoided as a result of management's commitment to implement audit, internal review or inspection recommendations. If action is taken, funds may be made available to meet other resource needs.

**Savings:** Used throughout this report to present potential cost avoidances or monetary savings (see these definitions).

**Significant:** A relative concept, often dependent upon an evaluation of several factors. Normally, no single criterion is used. Different factors will assume greater or lesser importance depending upon the nature of the incident considered. Therefore, judgment is exercised in evaluating the factors surrounding an issue to decide whether or not it should be classified as significant.

**Waste:** The extravagant, careless or needless expenditure of government funds or the consumption of government property, which results from deficient practices, systems, controls or decisions. Waste also includes improper practices not involving prosecutable fraud.



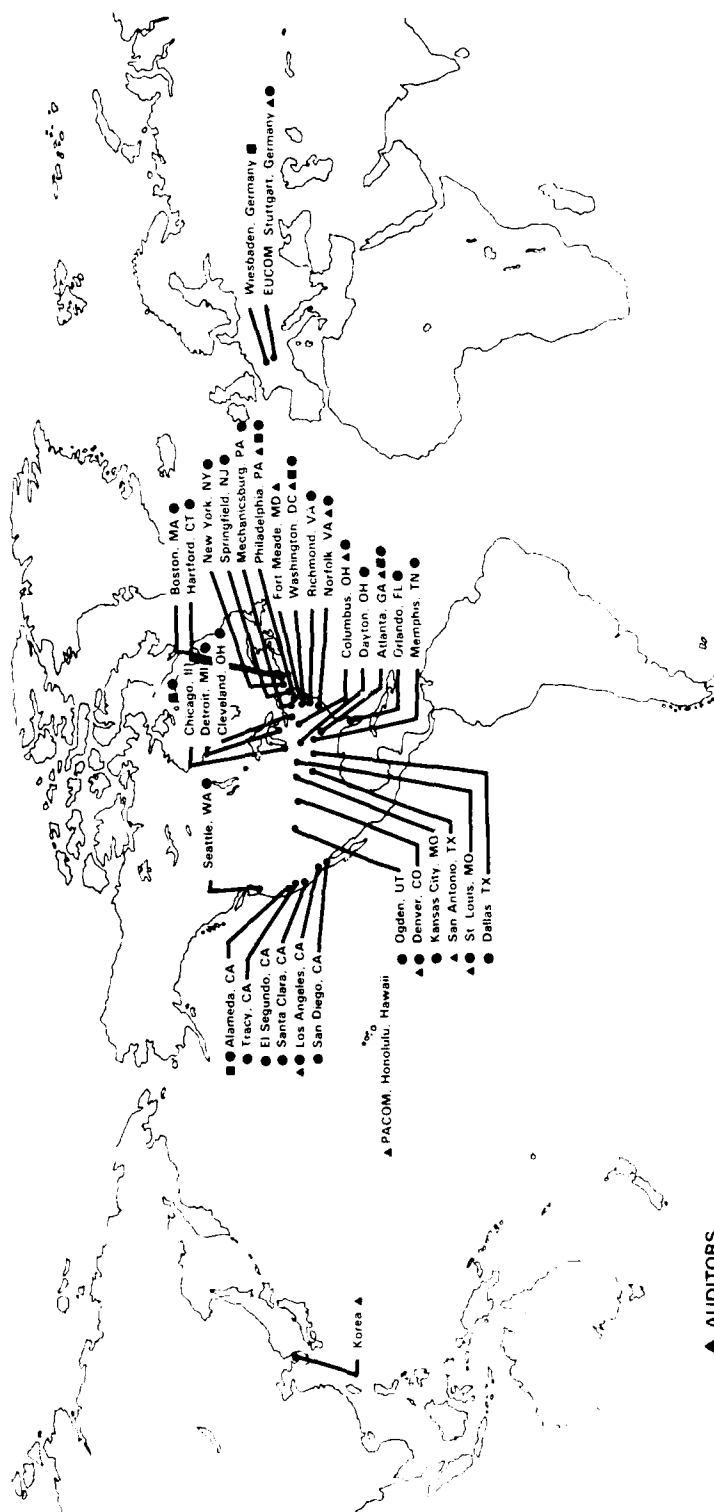
## APPENDIX D

### LEGISLATIVE REPORTING REQUIREMENTS

PUBLIC LAW	REPORTING REQUIREMENT	SEMIANNUAL REPORT
Sec. 8(a)(1)(A) P.L. 95-452 as amended	A Description of Significant Instances or Patterns of Fraud, Waste or Abuse Disclosed by the Audit, Investigative and Inspection Activities During the Reporting Period	Chapters 1, 2, 3, 4
Sec. 8(a)(1)(A) P.L. 95-452 as amended	A Description of Recommendations for Corrective Action Made with Respect to Such Instances or Patterns	Chapter 1
Sec. 5(a)(3) P.L. 95-452	An Identification of Each Significant Recommendation Described in Previous Semiannual Reports on which Corrective Action Has Not Been Completed	Chapters 1, 3
Sec. 8(f)(1) P.L. 95-452	Numbers and Types of Contract Audits	Chapter 2
Sec. 8(a)(1)(B) P.L. 95-452	A Summary of Matters Referred for Prosecution and the Results of Such Prosecutions	Chapter 3
Section 4(a)(2) P.L. 95-452	Review of Legislation and Directives	Chapter 5
Sec. 8(a)(1)(C) P.L. 95-452 as amended	A Statistical Summary, by Categories of Subject Matter, of Audit and Inspection Reports Completed During the Reporting Period	Statistical Highlights Chapters 1,4
Sec. 5(a)(5)&(b) P.L. 95-452	A Listing of Each Audit Report Completed During the Reporting Period	Appendix A
P.L. 96-304	Department of Defense Debt Collection	Appendix B

# FIELD ACTIVITIES OF THE OFFICE OF THE INSPECTOR GENERAL

## APPENDIX E



AD-A149 560

DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL  
SEMIANNUAL REPORT TO THE CONGRESS 1 APRIL - 30  
SEPTEMBER 1984(U) DEPARTMENT OF DEFENSE WASHINGTON DC  
29 NOV 84 F/G 15/5

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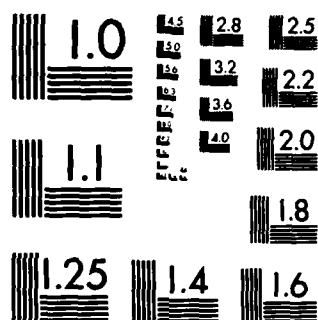
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MICROCOPY RESOLUTION TEST CHART  
NATIONAL BUREAU OF STANDARDS-1963-A

## APPENDIX F

### ACRONYMS USED IN THIS PUBLICATION

AAA	Army Audit Agency
AAFES	Army and Air Force Exchange Service
AC	Alternating Current
ADP	Automatic Data Processing
AFAA	Air Force Audit Agency
AFIG	Air Force Inspector General
AFOSI	Air Force Office of Special Investigations
AIG	Army Inspector General
AIR	Army Internal Review
ASD(C)	Assistant Secretary of Defense (Comptroller)
ASD(R&O)	Assistant Secretary of Defense (Review & Oversight)
AUSA	Assistant United States Attorney
BLSS	Base Level Self-Sufficiency Spares
CAS	Cost Accounting Standards
CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
CIDC	Army Criminal Investigation Command
CNO	Chief of Naval Operations
CoE	Corps of Engineers (U.S. Army)
DAR	Defense Acquisition Regulations
DAS	Defense Audit Service
DC	Direct Current
DCAA	Defense Contract Audit Agency
DCAS	Defense Contract Administration Service

DCIMI	Defense Council on Integrity and Management Improvement
DCIS	Defense Criminal Investigative Service
DLA	Defense Logistics Agency
DoD	Department of Defense
DoHHS	Department of Health and Human Services
DoJ	Department of Justice
EPA	Environmental Protection Agency
FAR	Federal Acquisition Regulations
FBI	Federal Bureau of Investigation
G&A	General & Administrative
GAO	General Accounting Office
GBL	Government Bill of Lading
GFE	Government-Furnished Equipment
GFM	Government-Furnished Material
GLCM	Ground-Launched Cruise Missile
IG, DoD	Inspector General, Department of Defense
IR&D	Independent Research and Development
IRS	Internal Revenue Service
LCC	Launch Control Center
MOU	Memorandum of Understanding
NASA	National Aeronautics and Space Administration
NAVAUDSVC	Naval Audit Service
NAVELEXSYSCOM	Naval Electronics Systems Command
NAVRESSO	Naval Resale and Services Support Office
NIG	Naval Inspector General
NIR	Navy Internal Review
NIS	Naval Investigative Service

OAIG-AFU	Office of the Assistant Inspector General for Audit Followup
OAIG-APO	Office of the Assistant Inspector General for Audit Policy and Oversight
OAIG-AUD	Office of the Assistant Inspector General for Auditing
OAIG-CIPO	Office of the Assistant Inspector General for Criminal Investigations Policy and Oversight
OAIG-INS	Office of the Assistant Inspector General for Inspections
OAIG-INV	Office of the Assistant Inspector General for Investigations
OMB	Office of Management and Budget
OIG, DoD	Office of the Inspector General, Department of Defense
OJCS	Organization of the Joint Chiefs of Staff
OSD	Office of the Secretary of Defense
OUSDR&E	Office of the Under Secretary of Defense for Research and Engineering
PCIE	President's Council on Integrity and Efficiency
PPRM	Program Planning, Review and Management, Office of the Inspector General, Department of Defense
USUHS	Uniformed Services University of the Health Sciences
VOQ	Visiting Officers Quarters
WSRK	War Readiness Spares Kits

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